

COATBRIDGE DENTAL & INTEGRATED RESOURCE CENTRE

FULL BUSINESS CASE



May 2008

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Executive Summary

Project Background and Objectives

NHS Lanarkshire seeks to develop an integrated Resource Centre in Coatbridge which will include:

- A Dental Training and Treatment Centre to provide facilities for the education of dental students and dental therapists.
- An improved base for the Community Dental Service (CDS) and facilities for specialist services/enhanced training of dentists to be developed.
- Two General Medical Practices which are relocating from unsuitable premises.
- Two General Dental Practices which are relocating from premises which do not meet DDA and Glennie requirements.
- All Mental Health Services currently provided from existing Main Street premises in Coatbridge.

The development will also provide an opportunity to extend access to a range of consultant led outpatient clinics at a local level. In addition it will enable the demolition and redevelopment of a disused building, enhancing the visual appearance and providing economic activity to the Main Street of a relatively deprived area.

This Full Business Case explains how the preferred solution will be implemented and how it can best be delivered.

The two General Dental Practices now included within the building are the only material change in the development between the Outline and Final Business Case.

Preferred Solution

The Outline Business Case process identified the development at Main Street, Coatbridge as the preferred option and was approved by Scottish Government Capital Investment Group in March 2007. This is a joint development with North Lanarkshire Council and makes use of two adjoining sites currently owned by NHS Lanarkshire and North Lanarkshire Council. The new facility will also include several North Lanarkshire Council functions including a new library, registrars department and first stop shop. Full details of the drivers for change are set out in section 2.1.

North Lanarkshire Council will be the lead developer and NHS Lanarkshire will contribute to the capital cost in respect of their share of the building with this being treated as a Finance Lease for accounting treatment purposes.

NHS Lanarkshire, in partnership with NES, the University of Glasgow and the Edinburgh Dental Institute have secured grant funding from the Primary & Community Care Premises Modernisation Fund for the development of the dental training and treatment centre which is incorporated into this development.

Capital Costs

The Capital Costs for the new development are summarised in the table below:

	NHS Share	NLC Share	Total Cost
	£000's	£000,s	£000's
Works Costs	10,723	4,329	15,052
Fees	1,257	508	1,765
Contingencies & Optimism Bias	570	230	800
Equipment	1,123	0	1,123
Total Project Cost	13,673	5,067	18,740

The above costs are based on tendered bids submitted by contractors to the selected developer (Dawn Construction). A reasonable assessment of planning contingency and optimism bias has been added to these bids.

The NHS total project cost of £13.7m compares with the Outline Business Case cost of £10.9m. The increase of £2.8m is in line with construction inflation between OBC cost base date of Quarter 2 2006 and FBC projected cost base date of Quarter 2 2009 together with the additional cost of including General Dental Practitioner facilities within the final design.

Funding for the NHS cost of the development will be from the Lanarkshire NHS Board Capital Allocation with an additional £4.4m being provided from the Primary & Community Care Premises Modernisation Programme.

Revenue Implications

The revenue implications of the new development have been updated from the Outline Business Case using projections from NHS Lanarkshire in conjunction with North Lanarkshire Council who will manage the building. National Education for Scotland will contribute to these costs on a pro rata basis in respect of the areas occupied by the dental teaching facility.

Cost Category	Addition to Revenue Cost
	£000's
Rates, Property & FM Costs	425
Staff Costs	426
Other Supplies Costs	64
Capital Charges	754
Total Revenue Costs to NHS	1,669
Less Existing Budgets	(111)
Contributions from GPs & GDPs	(35)
Net Increase to NHS	1,523
Recharge to NES	(605)
Funding from Primary Care Non-Cash Limited	(281)
Net Increase to NHS Lanarkshire Funding	637

The overall impact to NHS Lanarkshire of £0.637m noted above compares to an increase in costs within the OBC of £0.448m. The movement can be attributed to utilities and capital charges. Over the period since the OBC there has been a significant increase in utilities costs with rates increasing by around 40 %. In addition, the building is now larger than envisaged at OBC stage due to the inclusion of two General Dental Practitioners and the additional capital costs have resulted in an increased revenue impact through capital charges.

Affordability Assessment

In testing the overall affordability of the Board's wider capital investment programme, a ten year plan has been prepared. This examines the potential movements in funding levels from SGHD and expenditure assumptions for the period. Whilst recognising the inherent risks which may impact on any future financial projections, and the ability of the organisation to mitigate these, the NHS Lanarkshire Capital Investment Group and NHS Board have concluded that the proposed development of the Coatbridge Dental & Integrated Resource Centre is affordable within the current Financial Plan.

The cash flow profile for revenue and capital costs between 2007/08 and 2009/10 is outlined in the table below:

Financial Year	NHS Capital £000	NHS Lanarkshire Additional Revenue £000
2007/08	660	
2008/09	6,500	
2009/10	6,513	50
2010/11		637

Economic Appraisal

At the Outline Business Case stage, the capital and associated revenue costs of the options were used to carry out an economic appraisal using discounted cash flow techniques in line with Scottish Government Health Department guidance. Where, as a result of inflation and higher utilities costs, these costs have increased for the preferred solution, a pro rata increase has been assumed to apply to the other option.

At that time the preferred option was shown to have the lowest Net Present Cost (NPC) over a 60 year period. The updated economic appraisal indicates that the preferred solution would still be the option with the lowest NPC

Conclusion

This FBC sets out the case to support NHS Lanarkshire, in partnership with North Lanarkshire Council, proceeding with the development of a new facility on the Main Street, Coatbridge site, to provide a dental training and treatment centre, accommodation for two GP and GDP practices and replacement accommodation for the Community Mental Health Team (who will be displaced by the development).

The project will require capital investment of £13.673m, of which £9.247m will be funded from the NHS Lanarkshire Capital Allocation and £4.426m from the Primary & Community Care Premises Modernisation Programme.

Recurring funding has been set aside from 2010 to meet the revenue costs associated with this development and the project has been demonstrated to be affordable within the capital and revenue frameworks agreed by Lanarkshire NHS Board.

1 INTRODUCTION

- 1.1 Better Health, Better Care (2007) sets out the Scottish Government's aims of creating a more successful country with opportunities for all of Scotland to flourish through increasing sustainable economic growth.
- 1.2 One of the five strategic goals established to support the delivery of these aims is for a healthier Scotland where people are supported to sustain and improve their health, especially in disadvantaged communities, ensuring better local and faster access to healthcare. In order to achieve this Community Health Partnerships are required to strengthen partnership working with Local Authorities and local communities to tackle health inequalities, enhance anticipatory and preventative care; shift the balance of care and improve access to a wider range of community based services.
- 1.3 To facilitate the delivery of these objectives NHS Lanarkshire has developed a whole system service modernisation programme that is designed to improve the patient journey and experience. A critical aspect of this is improving the capacity and capability of the NHS to meet these healthcare needs within local communities. One significant development within this programme is the establishment of an integrated resource centre in Coatbridge which will include:
 - A dental training and treatment centre to provide facilities for the education of dental students, dental nurses and dental therapists.
 - An improved base for the community dental services (CDS).
 - Facilities for specialist dental service provision.
 - Accommodation for two general medical practices which are relocating from unsuitable premises.
 - Accommodation for 2 general dental practices which are re-locating from premises which do not meet Disability Discrimination Act and Glennie Technical Requirements.
 - Accommodation for all of the community based mental health services operating in the Coatbridge locality.
- 1.4 This town centre based facility will make a major contribution to NHS Lanarkshire and North Lanarkshire Council's capacity to improve a range of services in accordance with the Long Term Conditions Strategy; The Oral Health Strategy; The Substance Misuse Corporate Action Plan and the Mental Health Services Strategy. This scheme will also enhance performance against HEAT and Community Care Targets.
- 1.5 The Outline Business Case for this proposed facility was approved by the Scottish Government Health Directorates Capital Investment Group in March 2007. This Full Business Case presents a revised set of financial information which reflects the outcome of a tender process to determine cost certainty and updates progress on the proposed development as at April 2008.

- 1.6 In addition to capital funding through the NHS Lanarkshire capital resource limit, the Scottish Government has allocated funding for the dental training element of this project through the Primary & Community Care Premises Modernisation Programme.
- 1.7 It has been agreed by all parties that the new facility will be operational by March 2010.

2 STRATEGIC CONTEXT

2.1 NHS Lanarkshire is responsible for assessing healthcare needs within Lanarkshire and for ensuring that a full range of services are in place to meet these needs. This is undertaken against a background of challenges and NHS Lanarkshire works closely with a range of partner organisations to ensure these challenges are met.

2.2 Building a Health Service: Fit For The Future (2005), identified the main challenges to health and wellbeing as being:

- An ageing population.
- Persistent health inequalities between deprived and affluent communities.
- Increasing prevalence of long term conditions.
- Growing numbers of people with multiple conditions and complex needs.

2.3 To address these issues the Scottish Government has set a challenging agenda for NHS Boards and their community planning partners to improve health and wellbeing. Specific targets have been set for improvements in:

- The management of long term conditions.
- Lifestyle factors related to smoking; diet; exercise; alcohol and drug misuse; sexual health and mental health and wellbeing.
- Oral health.
- Access to services within primary and community care.
- Reduction in rates of hospital admissions for older people; for people with mental health problems and for those with COPD; asthma; diabetes or CHD.
- Diagnosis and treatment of a range of mental health conditions.

2.4 To deliver on these goals NHS Boards and their partners are required to prepare development and investment plans to improve community facilities to enable GP's; GDP's; and other primary and community care clinical teams to provide faster access to a wider range of evidence based services to meet the needs of people within these care groups. The Coatbridge Dental and Integrated Resource Centre is one of a number of developments that are planned in Lanarkshire to enhance primary care based capacity to achieve these local and national objectives.

2.5 Deprivation in Lanarkshire

2.5.1 Poor mental and physical health is both a cause and a consequence of social, economic and environmental inequalities. Risk factors include individual behaviours such as smoking; alcohol misuse; diet and inactivity, together with aspects of the wider social, economic and physical environments that shape such behaviours including educational achievement; income and work status. Within North Lanarkshire there are 84 data zones that fall into the 15% most deprived in Scotland. This is the highest in Scotland and equates to 8.6% of the National share. The Coatbridge locality is in itself one of the most deprived areas in North Lanarkshire. The scale of deprivation in this community presents a significant challenge to NHS Lanarkshire and its community planning partners on delivering on the National aims and objectives set out in Better Health Better Care.

2.5.2 The Annual Report of the Director of Public Health in Lanarkshire clearly illustrates the impact of deprivation levels on the health status of this community with illness burden being higher than in the rest of Scotland for:

- Coronary Heart Disease
- Long Term Conditions
- Oral Health
- Mental Health
- Substance Misuse.

2.6 **Coronary Heart Disease**

2.6.1 Death rates in Lanarkshire remain above the Scottish average for men and women and for those under and over 65. Whilst death rates are improving over time, the gap between Lanarkshire and Scotland remains. Lanarkshire death rates are consistently around 7% above the Scottish rate. Efforts are ongoing to reduce CHD mortality rates and to close the gap between affluent and deprived communities. These efforts are focused on reducing rates of smoking; providing better care in general practice; improving screening rates for those at risk and increasing drug treatment rates and secondary care interventions.

2.6.2 NHS Lanarkshire has three localities – Coatbridge, Airdrie and Wishaw that are involved in the National Keep Well project. By enhancing Primary Care staffing in these deprived areas people with existing cardiovascular disease or those who are at high risk of developing CHD can be identified and treated to reduce their risk of dying at an early age from this illness. Smoking cessation and Counterweight services have also been enhanced to improve on smoking rates and weight reduction. The existing facilities available within Coatbridge constrain NHS Lanarkshire and its community planning partners' potential to improve capacity in the range and quality of services to tackle this agenda. This new development is essential if we are to sustain the planned growth in evidence based community services which in turn will lead to further improvements against HEAT targets.

2.7 **Oral Health**

2.7.1 In 2005 the Scottish Executive published an action plan for improving oral health and modernising NHS Dental services in Scotland. Its aim was to improve the poor oral health record of Scotland and included a series of targets:

- Improve rate of children registered with a dentist.
- 60% of 5 and 11 year olds to have no dental decay by 2010.

2.7.2 In order to assess progress the National Dental Inspection Programme was established to examine the oral health of children at primary 1 and primary 7. These inspections enable statistical assessment of performance against targets and also places each child into one of three risk categories:

- High risk - severe decay and in need of urgent dental care.
- Medium risk – some decay and should seek dental care in the near future.
- Low risk – no obvious decay but should continue to see the family dentist for regular checkups.

2.7.3 The results of these studies demonstrate that despite making steady improvement Lanarkshire compares less favourably than the rest of Scotland on both 5 and 11 year olds and are short of the 60% target. It is known that children in deprived areas of Lanarkshire are three times more likely to suffer from severe dental decay requiring urgent dental treatment than their more affluent counterparts. Within the overall ratings for missing, filled and decayed teeth, Airdrie and Coatbridge localities are amongst the worst in Lanarkshire. These two localities also have the highest percentage of 11 year olds who are assessed as requiring immediate dental care. These communities also have amongst the lowest rates of GDP registrations in Lanarkshire and indeed Scotland.

2.7.4 This new facility will enhance the capacity of the community dental service and local GDP's to increase the range of services provided and the number of children registered. It is also expected that the capacity to support the training of dentists, dental therapists and dental nurses will significantly improve recruitment to these services within Lanarkshire.

2.7.5 Additionally, following Scottish Government guidance General Dental Practitioners have been offered the opportunity to relocate to the new facility as this offers the opportunity to provide services from premises which are compliant with DDA and Glennie Technical Standards. Two GDP practices have accepted this offer. The relocation of these GDP practices will result in an opportunity to increase the number of GDP's in the general area and support further progress against national oral health targets.

2.8 Long Term Conditions

2.8.1 The Coatbridge Locality is characterised by high levels of deprivation with 38.4 % of patients in the 15% most deprived datazones in Scotland. This is associated with higher levels of illness burden and poorer health outcomes. Standardised Mortality Ratios (SMR) for males and females under 65 years are 123.3 (113.2) and 116.9 (114.9) respectively (NHS Lanarkshire averages in brackets). SMR's for cancer, coronary heart disease and cerebrovascular disease are all significantly higher than other parts of Lanarkshire. GP list sizes in Lanarkshire are the highest in Scotland and GP infrastructure is regarded as requiring urgent attention. The proposed development will provide new capacity, both within the new build and by freeing up space in existing facilities. This, in turn will allow development of GP practice services which are pivotal to the delivery of care to patients with Long Term Conditions. Quality and Outcome Framework data shows good levels of practice organisation but prescribing data for cardio-vascular conditions shows a real level of unmet need in Coatbridge. The challenge is thus to develop capacity within already well organised practices by improving infrastructure.

2.8.2 This proposal will result in a stronger local infrastructure and will lead to improved recruitment and retention of staff, increased capacity for GP services and will support the infrastructure requirements of the Keep Well programme as it becomes part of mainstream provision.

2.9 **Mental Health**

2.9.1 The strategic drivers for health service improvement are well versed through a number of key documents: Delivering for Mental Health (2006), Building a Health Service Fit for the Future (2005), Delivering for Health – Shifting the Balance of Care (2005) and Better Health Better Care (2007), and these set the context for health care and health improvement including mental health.

2.9.2 NHS Lanarkshire through its Mental Health Strategy with its associated implementation plan, as well as its Capital Investment Programme, provides the necessary framework and vehicle to support that achievement.

2.9.3 The Coatbridge Dental and Integrated Resource Centre is a significant step in helping us to achieve that aim and will allow NHS Lanarkshire to:

- Ensure that we can reprovide accommodation for community mental health services in Coatbridge.
- Ensure that we can provide locally the necessary consulting, treatment and groupwork facilities to allow us to re-balance and provide support, care and treatment in fit for purpose accommodation within the local community.
- Allow the additional investment to Eating Disorder Services to evolve and increase both the capacity and availability of service as per the NHS Lanarkshire Mental Health Strategy.
- Relocate the Locality Consultant Psychiatry and Psychology Teams from Monklands Hospital to a community setting to be physically part of our community resource as per the NHS Lanarkshire Mental Health Strategy and as part of the need to vacate the Monklands Hospital site to support the development of a new build North Lanarkshire Mental Health Campus on that site as part of the NHS Lanarkshire Capital Investment Programme.
- Provide additional community based treatment opportunities for substance misuse services.
- To realise the opportunities that shared space can bring with generic and mental health services being able to integrate better and, with good sense, provide a range of services by working together.
- The education and learning space provides additional opportunity for training and upskilling a whole range of individuals.

2.9.4 Good mental health is important to everyone living in Scotland. It underpins the vision for a healthier, more successful Scotland. Mental illness takes away opportunity and we need to continue to address the stigma still attached to the subject and ensure that patients, their carers and all who work with them are treated with dignity and respect. Delivering on the commitment set out in Delivering for Mental Health (2006) in respect of equality, social inclusion, recovery and rights is central to the vision and success of the plan.

2.10 Proposed Objectives – Benefit to Patients

2.10.1 The Outline Business Case has been comprehensively reviewed to inform the development of this Full Business Case and this review has included an assessment of relevant departmental guidance to ensure that compliance is achieved.

2.10.2 The new facility will be instrumental as the NHS Board continues to improve health and wellbeing within the Coatbridge area in conjunction with community planning partners. In particular it will play an active part in achieving the targets associated with health and well being as set out in section 2.3 above, and addressing the issues highlighted in sections 2.5 - 2.9.

2.10.3 Additionally the proposed development has a number of concurrent objectives and will provide the following benefits:

- Provision of an outreach facility for dental students (10)
- Provision of an outreach facility for Dental Therapists (4)
- Provision of a training environment for Dental Nurses
- Accommodate the Community Dental Service
- Relocate two GDP Practices in compliant premises
- Relocate two GP practices in suitably sized fit for purpose accommodation
- Relocate Mental Health Services to suitably sized fit for purpose accommodation
- Release accommodation at Coatbridge Health Centre

2.10.4 Furthermore, the establishment of the integrated dental training centre will also provide:

- A local opportunity to extend training for dental nurses. This will increase the supply of qualified dental nurses for local dental practices
- The opportunity to reduce referrals to secondary care through the recruitment of specialist dental practitioners/dentists with special interests who will take referrals from general dental practitioners.
- The opportunity to train qualified dentists.
- The opportunity to train dentists with special interest which will assist with the retention of dentists in Lanarkshire.
- The opportunity to increase the range and volume of care provided by the Salaried Primary Care Dental Service

- 2.10.5 NHS Lanarkshire is seeking to retain and indeed expand the availability of NHS dentistry in its main centres of population and this development supports that objective. As previously stated the poor level of dental health and the relative deprivation across Lanarkshire make it imperative that access to an NHS dental service is maintained and that practices are able to recruit appropriately qualified staff.
- 2.10.6 This proposal will also improve compliance with recent legislation and guidance. Specifically the expansion of the overall accommodation and the correct sizing of the individual surgeries will ensure that Independent Contractors premises do comply with the requirements of the Disability Discrimination Act and the Glennie Technical Standards on decontamination of instruments.
- 2.10.7 The relocation of services from Coatbridge Health Centre will also free up much needed space for other primary care services and this will support service development and the provision of enhanced services from GP's who will remain in that facility.
- 2.10.8 Finally the establishment of this facility will further our working arrangements with North Lanarkshire Council and the integrated centre will not only provide an central focus for health and social services within the town centre area but add significantly to the amenity of the area by improving the environment both physically and in terms of generally increasing footfall within the town centre.

2.11 Changes in Strategic Context and Objectives from OBC to FBC

- 2.11.1 The inclusion of two GDP practices set out at Section 2.7 is the most significant change noted since OBC approval. Section 3 provides a resume of the OBC and sets out the financial impact of this change.

3 REVIEW OF THE OUTLINE BUSINESS CASE

3.1 The Outline Business case was approved by the SGHD Capital Investment Group in March 2007. At that time, a long list of options had been considered, reviewed and subsequently reduced to a short list for option appraisal.

3.2 Short Listed Options

3.2.1 A range of options were identified and considered against the project criteria. The following options were identified as appropriate realistic solutions and were considered by a range of stakeholders.

3.2.2 Option 1 - Do Nothing. A “do nothing” option was included within the option appraisal for comparative purpose although in practice, it was accepted that the status quo is unsustainable and failure to proceed would result in non-provision of the Dental Training Centre.

3.2.3 Option 2 - New build Dental Centre at Coatbridge College/ New build GP/ Mental Health accommodation. Coatbridge College planned to build a state of the art four-storey development on its site and accommodation within this development would be made available for the Dental Centre. This element of the project would be led by Coatbridge College and NHS Lanarkshire would make a capital grant to the project. Further new build accommodation would be required for the relocation of Mental Health services and both GP Practices.

3.2.4 Option 3 - New build as part of a development with North Lanarkshire Council. This option would utilise two adjacent sites on Main Street, Coatbridge which are owned by North Lanarkshire Council and NHS Lanarkshire. This site is close to the centre of the shopping precinct and is well served by public transport with good rail links and three train stations. There would be no land purchase required. North Lanarkshire Council would lead the development of the project and NHS Lanarkshire will contribute their share of the capital expenditure. The financial model assumes a split of 70:30 in favour of NHS Lanarkshire based upon the proposed accommodation schedules. North Lanarkshire Council would operate the building when complete and take responsibility for the provision of facilities management services on an ongoing basis.

3.3 Non Financial Benefits Appraisal

3.3.1 A benefit appraisal scoring process was undertaken to assess the relative level of benefits delivered by the short listed options. Members of the Project Planning Team with relevant GP and community dental representatives participated in order to include a wide range of views. This appraisal identified Option 3 as the preferred option. The benefits criteria included:

- Accessibility
- Capacity and future Sustainability
- Integration and Effectiveness of Services/Quality of Care
- Operational and Environmental Suitability
- Staff Recruitment Training and Development
- Timing.

3.3.2 The benefit appraisal group undertook scoring collectively. A score applied against each criterion per site from a range of –5 to +5. This score was multiplied by the weighting to calculate the final score per criteria. The weightings were agreed in advance by group members collaboratively.

3.4 Financial Appraisal

3.4.1 The capital costs, lifecycle cost (NPV) and revenue costs of the preferred option at OBC stage were:

- Capital: £10.884m
- NPV: £26.732m
- Additional revenue: £1.236m.

3.4.2 These were robust estimates, with recognition that capital costs would be subject to confirmation through competitive tendering. In accordance with Treasury Green Book guidance, Optimism Bias was applied at 21.76% to the construction costs. The cost base for all costs was Q2 2006.

3.5 Preferred Option

3.5.1 At OBC stage, Option 3 ranked highest overall in terms of the non financial benefits and the financial and economic appraisal. It remains the preferred solution and the delivery of this is described in detail in Sections 4, 5 and 6. The financial implications flowing from this are dealt with in Section 7.

3.6 Movements from OBC to FBC

3.6.1 The capital costs for the preferred option, as detailed in the OBC were:

Outline Business Case Costs	NHS Share	North Lanarkshire Council Share	Total Cost
	£000's	£000,s	£000's
Works Costs	7,117	2,780	9,897
Fees	698	271	969
Contingencies & Optimism Bias	2,168	845	3,014
Equipment	900	0	900
Total Project Cost	10,884	3,896	14,780

- 3.6.2 These costs were developed in conjunction with North Lanarkshire Council Housing and Property & Services Division with input from Architects and Quantity Surveyors. These were based on schedules of accommodation and preliminary design layouts.
- 3.6.3 Since OBC stage, a number of cost factors have increased, impacting on both the capital and revenue implications of the project.
- 3.6.4 Construction cost inflation from the OBC approval date is included within the FBC at 17.75% to reflect market conditions across the period covered. This uplift is in respect of increases in the building cost indices as advised by NHS Lanarkshire Property Consultants Currie & Brown and represents the increase in the BCIS indices from the OBC base cost date of Q2 2006 and the programme mid point of Q2 2009.
- 3.6.5 As highlighted in Section 2.7, two General Dental practitioners are now included within the scope of the project. This has increased the net accommodation by 416 m2 and resulted in additional equipment costs.
- 3.6.6 The Planning Authority set additional planning conditions as a result of the Architecture & Design Scotland review of the project. This included enhanced materials, additional features and increased landscaping requirements.
- 3.6.7 Equipment inflation at 9.0% has been included in the FBC costs, to reflect movements in RPI since the date of OBC approval.
- 3.6.8 Overall, the NHS share of the capital price increase from OBC to FBC is £2.789m:

	Increased costs
	£000's
Construction Inflation from OBC (17.75%)	1,772
General Dental Practitioners	510
Architectural & Design Scotland	260
General Dental Equipment	166
Equipment Inflation @ RPI (9.0%)	81
Total Project Cost Increase	2,789

- 3.6.9 This additional sum remains affordable within the context of the overall Capital Plan, although every effort will be made to explore options to manage these costs through the construction phase of the project.
- 3.6.10 In revenue terms, the additional costs have increased by £0.189m. This is largely due to the increase in capital charges attributable to the additional capital cost, and a further detailed assessment and refinement of the facilities costs (utilities, rates, property management). The increase in the recurring revenue investment required has been recognised within the current Five Year Financial Plan, and the project remains affordable, with an overall additional revenue budget of £0.637m. Further detail on revenue costs is set out in section 7.

4 DELIVERING THE PREFERRED SOLUTION

4.1 The following 3 sections set out how the preferred option of a joint development with North Lanarkshire Council at Main Street, Coatbridge will be delivered. This section focuses on the procurement, design and operational issues, Section 5 on the contract structure and Section 6 on the project management arrangements.

4.2 Procurement Options

4.2.1 The preferred solution is in essence a partnership agreement with a number of partner agencies and a large element of the funding (£4.426m) is a Scottish Government approved PCMP scheme. The requirement to explore alternative funding sources does not arise as it has been dealt with by the decision to provide public funding through this route. NHS Lanarkshire will be undertaking a joint venture and developing its premises as part of a larger building. NHS Lanarkshire will make a capital payment to the lead developer to fund its share of the scheme and in lieu of future rental payments.

4.2.2 The delivery of the preferred solution is by way of a two stage Design & Build process which has been subject to OJEU tender procedures. This approach was determined jointly by NHS Lanarkshire and North Lanarkshire Council following a workshop event in November 2006 when possible solutions were reviewed. Stage 1 was the selection of a suitable Developer and associated design team, and Stage 2 the determination of price and the Developers selection of appropriate contractors by a detailed tender process. An extract from the associated report produced by Doig & Smith is attached at Appendix A.

4.2.3 Following OBC approval in March 2007 the Stage 1 OJEU tender process commenced. A detailed set of requirements was prepared and issued to five Developers who had responded to the initial OJEU advertisement and who met the Pre-Qualification Criteria. Four completed returns were received and following review three Developers were invited for interview. A summary of the assessment and scoring of the three tenders is shown below:

Developer	Score	Ranking	Price* £000
Interserve	86.69	3	2,970
Dawn Construction	90.80	1	2,973
Balfour Beatty	89.71	2	2,770

* price at this stage is Developers fee, design team fees plus oncosts and profit.

4.2.4 North Lanarkshire Council appointed Dawn Construction to develop the design in detail and develop the project to Stage 2 as a result of the above assessment. Currie & Brown, acting as NHS Lanarkshire property advisers, were party to the tender process. The detailed tender report, prepared by Doig & Smith, is attached at Appendix B. Section 5 provides further details on the Contract Structure.

4.2.5 The timetable associated with the project is:

Event	Date
Appoint Developer	May 2007
Detail design	May – August 2007
Planning Application	September 2007
Tender process	September – December 2007
FBC approval – NHS Board	May 2008
FBC Approval - CIG	May 2008
Development agreement with North Lanarkshire Council	May 2008
Contract awards	May 2008
Commence on-site	June 2008
Commissioning	Jan - Mar 2010
Service Transfer	March 2010

4.3 **Schedule of Accommodation**

4.3.1 The schedule of accommodation has been fully developed and updated to include the GDP practices increasing the net area by 416 m². The accommodation schedule is attached at Appendix C. A detailed breakdown of the split of accommodation between both parties is provided at Appendix D. This reflects gross areas as drawn and excludes, for the purposes of apportionment, common areas. The relative share of costs is now set at 71.24:28.76 in favour of NHS Lanarkshire. This minor change in proportions is due to the inclusion of the two GDP practices and a small reduction in accommodation requirements for North Lanarkshire Council.

4.4 **Layout Drawings/Design**

4.4.1 The detailed design process was undertaken in full consultation with partner organisations and statutory bodies including the Local authority planning and roads departments and Architecture & Design Scotland (A&DS). The design has been developed to ensure that all statutory and legislative requirements are met and includes alterations agreed with A&DS which promote the building as a building of architectural value which enhances the town centre environment. These included changes to the materials originally planned, changes to the rear elevation to add interest and changes to the landscaping of the adjacent square. General layout drawings are attached at Appendix E.

4.5 **Sustainability**

4.5.1 The building has been designed to comply with all current standards and to ensure that the building operates with the minimum possible impact upon carbon footprint. This has involved detailed design process which has included:

- Use of energy efficient boiler and water heating plant in conjunction with controls systems which allow modulating gas supply loads to reduce overall energy consumption.
- A computer simulated thermal model has been used to determine the extent to which natural ventilation can be adopted which will cut down on the energy requirement for mechanical ventilation.
- Air supply and extract fans in air handling units will be selected with high efficiency fan motors, and heat recovery via run around pumps will be provided.
- High efficiency light fittings have been specified to reduce energy consumption.
- Lighting sensors will be provided to ensure the maximum use of natural daylight.

4.5.2 In addition the building has been designed with an associated Green Travel Plan thus ensuring that:

- Public transport usage is promoted and maximised
- Active travel becomes an integral part of the operation of the building through the introduction of cycle shelters and shower facilities.
- Reduction in the use of single-occupancy vehicles by staff through the introduction of a regulated lift-sharing scheme.

4.6 **Planning Approval**

4.6.1 Full planning approval for the new facility and the remote car park was granted in February 2008.

4.7 **Facilities Management Services**

4.7.1 All facilities management (FM) services associated with the new facility will be provided by North Lanarkshire Council and operational management arrangements will be established to ensure that service levels are achieved and monitored. The service standards include the National NHS Cleaning Specification which will ensure that this building is cleaned to standard which is consistent with other NHS facilities. The approach taken with building maintenance is similar and will ensure that a consistent level of service is provided.

4.8 **Human Resources Issues**

4.8.1 There is a requirement to appoint additional staff to support the development of the dental training centre and funding has been set aside by NES and NHS Lanarkshire to support this. The HR plan includes provision to appoint 3 educational tutors to supervise students and 8 dental nurses to assist students in training. The remaining staffing levels set out in the revenue cost profiles are consistent with existing staffing complements.

- 4.8.2 There are a small number of staff, primarily employed by the Independent Contractors (GPs/GDPs) to undertake cleaning services, who will have the option to transfer under the TUPE regulations to the FM provider engaged by North Lanarkshire Council when the building becomes operational. Discussions have commenced with the Independent Contractors as employers and there are no issues anticipated with the proposed transfer process. There are no staff currently employed by NHS Lanarkshire subject to TUPE transfer. The terms and condition of service offered by North Lanarkshire Council are consistent with those of the NHS Scotland and therefore there are no two tier workforce issues.
- 4.8.3 The town centre location supports good access for staff and the travel plan process has ensured that suitable facilities are provided for those staff who wish to walk or cycle to work.

4.9 **Information Management & Information Technology Strategy**

- 4.9.1 Given that the building is occupied on a lease basis the primary IM&T infrastructure will be provided and managed by North Lanarkshire Council. Services to the building will be provided by the North Lanarkshire Council arrangements and cabling within the building will be provided by North Lanarkshire Council as part of the build.
- 4.9.2 NHS Lanarkshire will operate its own network on the North Lanarkshire Council infrastructure and appropriate security protection will be built into the infrastructure to ensure that that both organisations integrity is not compromised.
- 4.9.3 The installation will be carried out in accordance with industry standards and will meet all know statutory requirements. The installation will include all data and voice outlets, structured cabling, containment and patch cabinets.
- 4.9.4 Cabling and associated containment will be to CAT 6 standard back to a single temperature controlled IT/Comms room. Sub IT/Comms rooms have been determined to ensure that maximum cabling distances are not exceeded. Positioning of data outlets and power sockets are notated on all 1:50 room layout drawings.
- 4.9.5 All users within the building will utilise this IM&T infrastructure and no additional systems will be installed or supported.
- 4.9.6 All NHS Lanarkshire servers, PC's, printers etc will be transferred from existing locations to support the new development. Equipment to support the development of the dental training centre will be supplied from the projects capital equipment budget.

4.10 **Equipment**

- 4.10.1 The funding requirement for the new centre is driven by the fit out and equipping costs for the dental areas. The training facility and the community dental service area carry a significant cost in terms of specialist dental chairs, cabinetry, instrumentation and decontamination equipment. In addition the fit out of General Dental areas carries a cost associated with the installation of suitable cabinetry – the costs associated with instrumentation and chairs remains with the General Dental practitioners.
- 4.10.2 NHS Lanarkshire Procurement Department have undertaken an OJEU tender process and have secured a framework agreement with appropriate suppliers which enable all dental and associated equipment to be purchased without further recourse to tendering processes. This will expedite the purchasing arrangements.
- 4.10.3 In general terms the equipment process has been driven by the completion of Room Data Sheets, which when supported by the detailed 1:50 drawings, has allowed the full equipment requirements to be determined across each of the normal procurement categories (Group 1, Group 2, etc). A further exercise undertaken in conjunction with service providers has enabled all equipment suitable to be transferred to be identified and this in turn has allowed the detail of the equipment which requires to be purchased to be determined. The funding identified will ensure that all equipment which is not suitable for transfer can be replaced.

5. SUMMARY OF THE CONTRACT STRUCTURE

5.1 The contractual arrangements between North Lanarkshire Council and NHS Lanarkshire or in which NHS Lanarkshire is otherwise concerned can be summarised as follows:

- **Development Agreement:** (North Lanarkshire Council and NHS Lanarkshire)
- **Building Lease:** (North Lanarkshire Council and NHS Lanarkshire)
- **Disposition:** (NHS Lanarkshire to North Lanarkshire Council)
- **Building Contract:** (North Lanarkshire Council and Developer – Dawn Construction)
- **Deed of Conditions:** (North Lanarkshire Council).

5.2 Development Agreement

5.2.1 This document contains the obligation of North Lanarkshire Council to procure that the Building is completed and the corresponding obligation of NHS Lanarkshire to pay its contribution towards the construction costs (including associated fees) but excluding VAT to be incurred by North Lanarkshire Council under the Building Contract.

5.2.2 NHS Lanarkshire's contribution is the 'Agreed Proportion', now confirmed at 71.24% which is the final calculation of the space to be occupied by NHS Lanarkshire in the new Building as a percentage of the total occupational space.

5.2.3 Key points include:

- Specification with Base Drawings in a form acceptable to NHS Lanarkshire has to be incorporated in the Development Agreement as NHS Lanarkshire are not a party to the Building Contract ;
- Change order procedures;
- Provisions for specialist fit-out for NHS Lanarkshire to be incorporated into the Building Contract at a later stage;
- North Lanarkshire Council obligation to perform the employer's obligation under Building Contract;
- NHS Lanarkshire obligation to pay the Agreed Proportion of the construction costs (including associated fees) properly payable under the Building Contract plus 100% of the costs payable under the Building Contract for any (if any) specialist fit out items incorporated into the Building Contract at the request of NHS Lanarkshire;
- North Lanarkshire Council obligation not to vary or permit the variation of the Building Contract or the underlying appointments of the professional advisers;
- North Lanarkshire Council to procure Collateral Warranties for NHS Lanarkshire and its sub-tenants;

- Provisions for a joint inspection prior to practical completion;
- Provisions as to the making good of defects.

5.3 **Building Lease**

5.3.1 The Premises will comprise those floors in the completed Building, plus those car parking areas to be exclusively occupied by NHS Lanarkshire plus rights to the use of the common parts (as to be defined in the Deed of Conditions).

5.3.2 Otherwise the key points of the Lease are:

- Rent to be £1 per annum;
- NHS Lanarkshire as Tenant to pay a service charge being the Agreed Proportion of the costs incurred by the North Lanarkshire Council as Landlord in keeping the Building insured, of maintaining and repairing the common parts and otherwise of keeping the whole building safe, secure, heated, cleaned, lit etc.

5.4 **Disposition**

5.4.1 To be granted by NHS Lanarkshire of its entire interest in the site at Main Street, Coatbridge:

- Agreed as nil value transaction but NHS Lanarkshire write-off of current value required in annual accounts.

5.5 **Building Contract**

5.5.1 This will be in the current standard form of contract with Contractor's Design and will be entered into at the end of the tender and formal approval process. This will be take the form of a fixed price lump sum for all costs including consequential fees which is based upon the Contractors agreed design. Other key points include:

- Employer's Requirements/Contractor's Proposals will be based on the agreed Specification to be annexed to the Development Agreement.
- Collateral Warranties to NHS Lanarkshire and its sub-tenants will be provided at Practical Completion.

5.6 **Deed of Conditions**

5.6.1 This is the key document governing the management of the Building after it is occupied and sits with the Lease. It is necessary because from the outset one of the occupiers will be a tenant, and the other an owner occupier, so the Deed of Conditions will be the mechanism under which the ongoing management, insurance, maintenance and provision of other services would be dealt with.

This includes:

- cleaning all areas of the Building under a single contract;
- planned preventative maintenance;
- heat, light, power and utilities;
- security and building management.

5.6.2 All of the above will be managed by an Operation Management Group which will be established and include appropriate representation from both NHS Lanarkshire and North Lanarkshire Council.

6. PROJECT MANAGEMENT ARRANGEMENTS

6.1 An efficient, robust and competent project management structure has been initiated and is planned to ensure that the desired project outcomes are delivered to the highest quality.

6.2 A Joint Project Board comprising key individuals from NHS Lanarkshire and North Lanarkshire Council has been established and is responsible for the overall management of the project. This Project Board engages with the key external advisers routinely.

6.3 Both North Lanarkshire Council and NHS Lanarkshire will operate separate local Project Boards which will be responsible for the local management of all issues associated with the project and for operating to timescales set by the Joint Project Board.

6.4 To achieve the desired outcome the project plan will use the following delivery tools and processes:–

- Identify the composition and responsibilities of the Project Team/Delivery Group and all associated stakeholders;
- Demonstrate the competency of the Project Team to deliver;
- Identify and evaluate stakeholders' needs to be embedded in design, and
- Make use of existing best practice.

6.5 A diagram setting out these arrangements is attached at Appendix J.

6.6 Role of External Advisers

6.6.1 As the preferred procurement option is a traditional publicly funded method it is noted that the following external advisers will provide services:

- Project Management Team (joint appointment with North Lanarkshire Council)
- Commercial Solicitor (joint appointment with North Lanarkshire Council)
- Project Design Team (managed through lead Developer)
- Cost Management Consultant (part of Project Management Team)

6.6.2 These retained functions will report directly to the North Lanarkshire Council Project Manager and will only issue contractors with instruction whereby financial liabilities will be sustained to the project after consultation and approval.

6.6.3 Separate NHS Lanarkshire advisors have been appointed to scrutinise the process and ensure value for money is achieved. This includes Currie & Brown, Project Managers, to manage the NHS Lanarkshire internal arrangements in support of the project and McClure Naismith, solicitors, to advise on the development and implementation of the contractual arrangements between NHS Lanarkshire and North Lanarkshire Council. Additionally Scott Moncrieff, auditors, have been appointed to confirm that the accounting treatment is in line with current, relevant guidance.

7. FINANCIAL APPRAISAL AND AFFORDABILITY

7.1 Capital Cost

7.1.1 As highlighted in section 3.6, capital costs for the proposed development have been updated from the OBC. North Lanarkshire Council are leading the development and the Works Costs will fall outwith the scope of VAT. (Figures include non-recoverable VAT on equipment costs):

Full Business Case Costs	NHS	NLC	Total Cost
	£000's	£000,s	£000's
Works Costs	9,824	3,966	13,790
Car Parking	899	363	1,262
Fees	1,257	508	1,765
Contingencies & Optimism Bias	570	230	800
Equipment	1,123	0	1,123
Total Project Cost	13,673	5,067	18,740

7.1.2 The works costs and fees at FBC are the outcome of the Developer's tender programme plus fees added at the previously agreed rate. The contract price is fixed for the duration of the build programme on the basis of construction commencement in June 2008.

7.1.3 Costs have been apportioned between North Lanarkshire Council and the NHS on the basis of the areas occupied by each party. The final apportionment at FBC stage is 71.24% to NHS and 28.76% to North Lanarkshire Council.

7.1.4 Optimism Bias is the demonstrated tendency for appraisers to be over optimistic about key project parameters and is included at 4.76% of works costs. This is based on the best estimates at this stage in the process. This compares with a figure of 21.76% for the OBC the reduction reflecting the increased certainty around costs and planning outcomes. The details of the computation are contained within Appendix F.

7.1.5 The above table shows an NHS capital expenditure figure of £13.673m. Included within this total is the NHS share of a remote car park amounts to £0.899m. This car park will be managed by North Lanarkshire Council and will benefit the patients and others who will utilise the joint NHS and Council facility. This has been treated as a Capital Grant, with the balance of £12.774m being accounted for as a Finance Lease. Full details of accounting treatment are contained within section 8.

7.1.6 The NHS component of the capital costs will be funded through the NHS Lanarkshire Capital Resource Limit (£9.247m) and the Primary & Community Care Premises Modernisation Programme (£4.426m). Appropriate provision has been made in the Board's five year Capital Plan.

Equipment costs are based on a detailed schedule of requirements.

Forms FB1-4 detailing the breakdown of capital costs are included at Appendix G.

7.2 Revenue Implications

7.2.1 As result of the increased capital costs, and as noted in section 3.6, the revenue implications of the new development have been updated from the OBC. These costs have been developed by the NHS Lanarkshire Finance and Property & Support Services Departments, in conjunction with North Lanarkshire Council Property Services Division.

7.2.2 The projected additional revenue costs to the NHS are summarised in the table below:

Cost Category	Addition to Revenue Cost at OBC Stage	Addition to Revenue Cost at FBC Stage
	£000's	£000's
Rates, Property & FM Costs	261	425
Staff Costs	404	426
Other Supplies Costs	50	64
Capital Charges	637	754
Total Revenue Costs to NHS	1,352	1,669
Less Existing Budgets	(101)	(111)
Contribution from GPs & GDPs	(15)	(35)
Net Increase to NHS	1,236	1,523
Recharge to NES	(459)	(605)
Funding from Primary Care Non-Cash Limited	(329)	(281)
Net Increase to NHS Lanarkshire	448	637

7.2.3 Rates, property and facilities management costs have been developed in conjunction with North Lanarkshire Council and NHS Lanarkshire Property Advisors Currie & Brown. This work has included a robust assessment of NHS requirements and incorporates current NHS National Cleaning Specifications, updated costs in respect utilities, local authority rates and property management costs. The increase of £0.189m from the OBC Stage is largely due to price increases in utilities and the increase in the size of the building.

7.2.4 Staff costs are in respect of Dental Teaching and nursing support staff, and the increases reflect pay awards applied from the OBC stage costs.

7.2.5 Other Supplies Costs are in respect of Specialist Maintenance of Dental chairs, decontamination equipment and a provision for telephone and other miscellaneous costs.

7.2.6 The Capital Charges increase of £0.117m reflects the increase in the capital cost of the building between OBC and FBC stage as detailed in section 7.1 above.

- 7.2.7 Charges to GPs and GDPs are in respect of heat, light and power; cleaning and internal maintenance. These are based on apportionment of costs across the areas occupied by these practitioners.
- 7.2.8 Charges in respect of the Dental Teaching facilities will be recharged to the NHS Education Scotland. These are based on apportionment of costs across the areas occupied by the Dental Teaching Facility. These costs have been agreed with NES.
- 7.2.9 The overall revenue impact to NHS Lanarkshire as detailed above compares to additional costs of £0.448m identified within the OBC. This increase in revenue costs remains affordable within the Board approved Five Year Financial Plan.

7.3 Economic Appraisal/ Value for money analysis

- 7.3.1 The capital and associated revenue costs were used to carry out an economic appraisal of the options, using discounted cash flow techniques in line with SGHD guidance. A discount rate of 3.5% for the first 30 years and 3% for the remaining period to 60 years was used in this computation. The appraisal undertaken for the OBC has been updated for the revised capital and revenue costs. This resulted in a Net Present Cost (NPC) for each option as shown in the table below. It is assumed that NES will contribute to the cost of planned estates maintenance over the period of the project and this appraisal reflects the costs associated with the full NHS share of the building.
- 7.3.2 Where there has been increased costs as a result of inflation, higher utilities and other increases in property related overhead costs a pro rata increase has been assumed to apply to the alternative option contained within the OBC.

Option Description	At OBC Stage	At FBC Stage
	£000	£000
Do Nothing	N/A	N/A
New Build with Dental Teaching on College Site	27,475	35,864
New Integrated Centre at Main Street Coatbridge	26,732	36,861

- 7.3.3 The above analysis demonstrates that the preferred option is still that with the lowest NPC and when affordability is considered this option is the one which delivers the lowest capital and revenue costs.

8. ACCOUNTING TREATMENT

- 8.1 The NHS is contributing £13.673m (71.24%) to the capital cost of the joint development with North Lanarkshire Council, who will be the lead developer. NHS Lanarkshire will lease accommodation within the building under the terms of a one hundred and seventy five year lease (175 years).
- 8.2 Under the guidance within the NHS Scotland Capital Accounting Manual a Finance Lease is defined as a lease 'that transfers substantially all the risks and rewards of ownership of an asset to the lessee'. NHS Lanarkshire have considered the terms of the lease granted to them by North Lanarkshire Council and has assessed those in conjunction with the Capital Accounting Manual, SSAP 21 'Accounting for Leases and Hire Purchase Contracts' and FRS 5 'Reporting the Substance of Transactions'. A view has been formed that under this Guidance and Accounting Standards the transaction should be treated as a Finance Lease.
- 8.3 As part of the capital contribution to the development the provision of a remote car park will be funded. As this will benefit the patients and others that will utilise the health facilities as well as the council areas of the development but will not be under the ownership or sole use of the NHS, this element of the capital contribution will be regarded as a Capital Grant.
- 8.4 The impact on NHS Lanarkshire will mean that the fair value of the asset will appear on the NHS Lanarkshire Balance Sheet as a tangible Fixed Asset. As this is a new build the fair value is deemed to be the capital contribution which NHS Lanarkshire will make to North Lanarkshire Council in respect of the development.
- 8.5 As the NHS Lanarkshire share of the development will be shown as a Finance Lease within tangible Fixed Assets, Capital charges will therefore be incurred.
- 8.6 Scott Moncrieff, acting as the Board's corporate financial advisers, have given an opinion on the accounting treatment of the project. PricewaterhouseCoopers, the Board's external auditors, have reviewed Scott Moncrieff's report and concur with the conclusion that the above accounting treatment in respect of a Finance Lease and Capital Grant are appropriate, and confirmation of this is attached as Appendix I.

9. RISK MANAGEMENT

- 9.1 An integrated approach to risk management has been adopted throughout the project and will continue for the life of the project.
- 9.2 This approach has resulted in a risk register being adopted and reviewed at every meeting of the Project Board. This is attached as Appendix H. The policy adopted has been to mitigate risks as far as practical and where this has not been possible, to assess the likely financial cost. This practice will continue and will be evidenced.
- 9.3 The Project Execution Plan sets out the arrangements for risk management and this will continue to be taken forward.
- 9.4 The level of risk remaining at this stage in the project is relatively low given that the tender process has been concluded and a firm project cost has been determined. In the few cases where this has not been possible, cognisance has been taken of this by way of quantitative assessments of costs or by the application of Optimism Bias.

The key issues affecting delivery of the project can be summarised as:

- **Full Business Case consents**

The project is dependant upon receiving all necessary approvals and consents. The approach taken and evidenced herein mitigates this.

- **North Lanarkshire Council Approvals**

North Lanarkshire Council have confirmed that the project has been formally approved and all the necessary committee approvals are now in place.

- **Construction Costs**

The two stage design and build process and tender programme has been designed to ensure that contract price with the Developer is fixed and will not be subject to change if awarded in accordance with programme.

- **Temporary Decant**

All proposed occupants have suitable accommodation available until March 2010.

- **Planning Issues**

Full planning approval has been granted. Detailed consultation between the Design Team and the Planning Authority will continue throughout the construction phase.

- **Statutory Consents**

Final detail of the Building Warrant is been taken forward in conjunction with the statutory authorities to ensure appropriate compliance with all requirements including Fire Strategy.

10. BENEFITS ASSESSMENTS AND BENEFITS REALISATION PLAN

10.1 A key component of any formal option appraisal is the assessment of the non-financial benefits that are likely to accrue from the options under consideration. Stakeholders were invited to participate in this benefit appraisal in an open and transparent environment in order to assess the options fully and fairly.

10.2 The benefit appraisal had three main stages:

- Identification of the benefits criteria
- Weighting of the benefits criteria
- Scoring of the short listed options against this criteria.

10.3 By comparing the non-financial benefits offered by each of the options a distinction was made between them that assisted in the identification of the overall preferred option.

10.4 A benefit appraisal-scoring process was undertaken to assess the relative level of benefits delivered by the short listed options. Members of the Project Planning Team with relevant GP and community dental representation participated in order to include a wide range of views.

10.5 The key aims of the process were to:

- Establish a common understanding and agreed approach to the benefits appraisal process
- Review and describe the lists of options to be evaluated
- Develop the list of criteria against which each option is to be evaluated
- Rank and weight the criteria using established mechanisms
- Score the options.

10.6 The key features of each of the benefits considered are described below:

10.7 Accessibility:

- Appropriate access to site in terms of public and private transport links
- Appropriate accessibility for disabled visitors
- Access to the site from the highway, both pedestrian and vehicular
- Car parking issues.

10.8 Capacity and Future Sustainability:

- Ability to meet current and future demand
- Offers opportunity to utilize staff resources and skills effectively and productively
- Best use of space, staff and resources
- Ability to respond to changes in clinical practices, user requirements, service change and development
- Ability to accommodate an extended range of services
- Provides flexibility for future expansion (identified space)
- Flexibility of internal space.

10.9 Integration and Effectiveness of Services/Quality of Care

- Develops partnership working between various public service agencies
- Strengthening of partnerships with the Social Work departments
- Develops partnership working between the various healthcare professionals
- Disruption to Current services
- Functionally suitable accommodation relieves pressure on staff time and resources allowing more time to be spent productively with patients.

10.10 Operational and Environmental Suitability

- Providing buildings and facilities appropriate for users and staff with appropriate functional content, layout and suitability that promotes the use of modern clinical practice & technologies
- Good physical condition and compliance with statutory regulations
- Complies with relevant current and foreseeable guidelines and good practice in terms of layout and room sizes
- Provides a modern, clean and safe environment and facilities.

10.11 Staff Recruitment, Training and Development

- Provides Scope for Recruiting and retaining staff
- Attractiveness to staff (including location, working environment)
- Provides better training and development opportunities, ability to cross cover.

10.12 Timing

- Meets timescales of re-provision required, i.e. enables early re-provision.

The table below summarises the benefits assessment and realisation plan:

	Benefit	Measure
1	<p>Improved Accommodation</p> <p>The current facilities are no longer fit for purpose and include no capacity for expansion. There is no provision to allow GP's, for example, to provide enhanced services. There are also challenges in achieving compliance with DDA legislation and decontamination guidance.</p>	<p>DDA compliance</p> <p>Compliance with decontamination standards</p> <p>Reduction in complaints</p> <p>Improved recruitment and retention</p>
2	<p>Improved accessibility to services</p> <p>The new facility includes additional accommodation to enable delivery of a greater range of service locally and supports the implementation of improved clinical models in local communities.</p>	<p>Improved access to local services e.g. COPD, Diabetes through the development of community based facilities and the release of accommodation in the existing Coatbridge Health Centre</p>

3	<p>Improved integration of services</p> <p>Provides a local focus for a range of services including GP, GDP, Dental training school and Mental Health.</p>	<p>Increased provision of dental service and co-location of dental training function and GDP services.</p> <p>Improved partnership working</p>
4	<p>Improved flexibility for future change</p> <p>The current facilities have no scope for expansion</p>	<p>Introduction of additional services</p> <p>Flexible design allows space to be utilised more effectively.</p>
5	<p>Improved clinical effectiveness</p> <p>Provision of purpose built facility allows appropriate clinical space to be provided.</p>	<p>Reduce complaints</p> <p>Increase in service available - no longer limited by functionality of accommodation</p> <p>Reduction in waiting times and increased provision of services locally.</p>
6	<p>Improved staff recruitment, training and development</p> <p>The new dental training facility integrates dental services and consequently provides for additional posts and for enhanced training opportunities.</p>	<p>Successful staff recruitment</p> <p>Improved opportunities for staff progression</p> <p>Improved staff retention</p>
7	<p>Operational and environmental sustainability</p> <p>The ability to integrate with the local authority provides a single focus for the public.</p>	<p>Effective health improvement programmes can be implemented more efficiently</p> <p>‘One stop shop’ for many patients combining regularly used facilities.</p>

11. POST-PROJECT EVALUATION PLAN

- 11.1 A post project evaluation will be undertaken within 6 months of the completion of the project and in advance of the dissolution of the design team. The primary undertaking will be to evaluate the procurement process and to identify learning opportunities for others and for future projects. This will involve assessment of success by means of considering the original project objectives, delivery of the project in terms of programme, cost and quality outcomes, and a value for money appraisal.
- 11.2 The evaluation process will continue to be developed as the project is delivered and will incorporate:
- A description of the project objectives
 - Amendments to the project requirements and associated reasons
 - Review of the legal framework which supported the project and assessment of its appropriateness
 - Review of Project Execution Plan, programme, project structure and outcomes
 - Review of final cost outcomes
 - Review of optimism bias calculations
 - Review of any unpredictable events and impact on outcome.
- 11.3 A formal report will be issued identifying project successes, weaknesses and setting out learning opportunities for future projects. This will include detail of:
- cost compliance
 - programme achievement
 - effectiveness of structure and approach
 - technical competence of project team and design team
 - compliance with statutory requirements.

12. CONCLUSION

- 12.1 NHS Lanarkshire proposes to develop an integrated Resource Centre in Coatbridge which will include:
- A Dental Training and Treatment Centre to provide facilities for the education of dental students and dental therapists.
 - An improved base for the Community Dental Service (CDS) and facilities for specialist services/enhanced training of dentists to be developed.
 - Two General Medical Practices which are relocating from unsuitable premises.
 - Two General Dental Practices which are relocating from premises which do not meet DDA and Glennie requirements.
 - All Mental Health Services currently provided from Main Street premises in Coatbridge.
- 12.2 This project, in conjunction with North Lanarkshire Council, provides a significant number of benefits for the local community within the Coatbridge area and delivers a vastly improved facility for the provision of health and local authority services. Additionally, the utilisation of vacant land within the town centre drives an improvement in the amenity of the local town and improves the physical environment.
- 12.3 This proposal represents the most effective solution in terms of value for money and will deliver a platform from which improved dental health for the whole of Lanarkshire will stem. This is a critical feature of the project and a key element of the integration of dental service provision.
- 12.4 The current facilities no longer support the delivery of a modern healthcare service and approval to proceed will allow the establishment of a facility which will support the future development of the above noted services in a clear and structured manner.

Appendix A

Extract from Doig & Smith Procurement Workshop Report

– Nov 2006 Doig & Smith

Appendix A

Extract from Doig & Smith Procurement Workshop Report – Nov 2006 Doig & Smith

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- Appendices Not Included (Available on request)

1 INTRODUCTION

The choice of an appropriate procurement route is key to the success of a project and provides a major opportunity to embrace the different techniques currently being successfully utilised throughout the industry. Decisions taken during the preconstruction phase greatly influence the success of a project and many of the problems encountered during the construction phase, and after project completion, are attributable to those early decisions. To ensure project success it is crucial to define the clients specific objectives at the outset and ensure the most appropriate procurement and delivery processes for that project are implemented.

To assist in the choice of the most appropriate procurement route the Coatbridge Baths Redevelopment project a procurement workshop was held on 11 October 2006. The aim of this workshop was to:

- identify the specific objectives and requirements for the project.
- review the various procurement route options currently being utilised throughout the industry
- analyse the risks associated with the various procurement route options
- identify the most appropriate procurement route for the projects based on the findings from the workshop

2 SPECIFIC OBJECTIVES AND REQUIREMENTS FOR THE PROJECT

A wide range and number of objectives and requirements for the project were identified and can be summarised as follows:

Time

- a. Time is critical – the dental facility **MUST** be completed by 1 September 2008.
- b. Façade retention will impact on programme if façade is to be retained.
- c. Elections May 2007 – how will this impact on the project?
- d. Early completion may be required.
- e. Pre-construction period is very limited and design team are not appointed yet.
- f. Programme must be fixed prior to project proceeding on site.
- g. Beneficial access will be required for fit-out.
- h. OJEU must be issued as soon as possible – October 2006.
- i. Latest construction start identified as August 2007.
- j. Planning application must be submitted as soon as possible.

Complexity

- a. Façade retention works will be complex if façade is to be retained.

Price Certainty

- a. Fixed budget for the project.
- b. Budget excludes inflation for the NHS part.
- c. Business Case must be adhered to.
- d. Market conditions – how will this impact on cost / contractor willingness to tender?
- e. Life-cycle costs are important.
- f. Budget control and cost certainty are key throughout the project both in terms of returned tenders (projects cannot proceed if tender returns are over budget) and final account must not breach budget.
- g. VAT saving MUST be achieved to maintain budget.
- h. Façade retention works will impact on cost.

Quality

- a. Quality is of key importance.
- b. Life-cycle costs are important thus appropriate quality required.
- c. Control of quality required – very specific design requirements.
- d. High profile project of high quality.

Controllable Variations

- a. Minimum variations post contract is desired.
- b. Cost certainty and budget control very important thus control of change important.
- c. Fixed design required prior to construction start.

Risk

- a. Transfer of risk is important – North Lanarkshire Council do not wish to carry the risk.
- b. However mitigation of risk is important – North Lanarkshire Council wish to transfer appropriate risk only.
- c. Cost of risk – should be minimised.
- d. Appropriate transfer of responsibility required.

Flexibility

- a. Design must be flexible and allow for future-proofing.

Other

- a. Compliance with EU rules is a necessity.

In summary the key objectives for the Coatbridge Baths Redevelopment project are:

- Cost certainty is crucial.
- Control of cost throughout the life of the project is essential.
- Single point responsibility is required.
- Risk to be minimised and managed.
- Building design, flexibility and functionality vital.
- Time is critical - dental facility **MUST** be completed by 1 September 2008.
- Completion on time is critical.
- Minimum variations post contract is desired.
- Pre-construction period is **VERY** limited.

3 PROCUREMENT OPTION ANALYSIS

To assist in identifying the most appropriate procurement route for the Coatbridge Baths Redevelopment project a review of the various procurement route options currently being utilised throughout the industry was presented – Refer Appendix 1. The review considered the following procurement route options and highlighted the advantages and disadvantages of each:

- “Traditional System”.
- Design and Build Systems.
- Management Forms of Contract.
- Design and Manage Systems.

Single and two stage tendering was also reviewed.

3.1 TRADITIONAL SYSTEM

The traditional system is invariably Architect/Engineer designed and Architect/Engineer led. The principal weakness is seen as being in the split between responsibility for design and responsibility for construction, resulting in claims following change (variation) orders, cost over run and contract prolongation.

3.1.1 Single stage

Background

This system, although regarded as traditional, is becoming less common to satisfy minimising Client Risk.

Operation

The Design Team proceeds through the design process, with the QS undertaking preliminary cost estimates/checks at each stage, and advising all concerned. A fully detailed design will develop with drawings and specifications.

The design can be modified if appropriate. The QS then prepares tender documentation and issues it to the selected contractors to obtain competitive tenders. The duration of the construction period is sometimes a pre-requisite of the tender conditions, or is indicated in the contractor's tender.

The completed tenders are examined and checked, and the most suitable accepted. The Employer and the Contractor then enter into contract with each other. The Contractor undertakes the construction work under his own management control, which is monitored by the Design Team. The Team is led by the Architect who acts as principal agent.

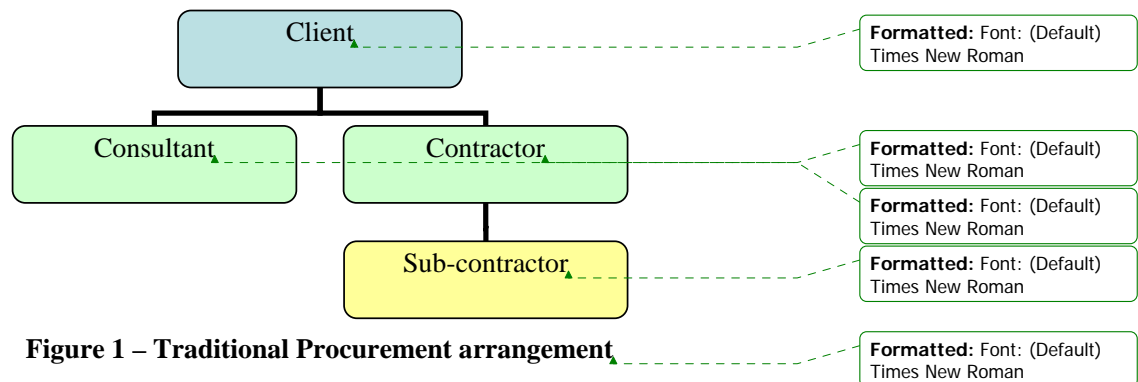


Figure 1 – Traditional Procurement arrangement

Advantages

- Good quality design can be achieved.
- Good cost control can be achieved through design (although less certain during construction).
- Suitable for complex projects. Specialist consultants can be brought in to advise on or design sections of the project. Design problems should be solved cheaply on paper in advance, not on site when the works are proceeding.
- Specialist sub-contractors can tender separately.
- Drawings and tender documentation provide a common basis for tendering.
- Client retains control of design from inception to completion.
- Good competition.

Disadvantages

- Not suitable where time is of the essence due to the sequential nature of design and construction.
- Not suitable if design and tender of phases is a linear operation where continuity of contractor cannot be ensured - split liabilities.
- Design must be complete before construction commences to mitigate cost increase and contract prolongation.
- Separation of design and construction responsibility.
- Susceptible to delays in the construction process.
- Susceptible to contractual claims.
- Client accepts a degree of financial risk.

3.1.2 Two Stage

Background

This is a modified version of the Single Stage System, intended to bring the expertise of the Contractor into the design process at an early stage.

Operation

The Client selects a design team and the brief is developed. At this point the Contractor is selected by competitive first stage tender on the basis, for example, of preliminaries, on-cost and profit on work to be sub-let, management fee, and schedule of rates. The tendering process is similar to that for single stage tendering except that in some instances the feedback obtained in interviewing the contractor can have as much influence on his selection as cost. This is particularly the case where the Contractor has highly specialised knowledge considered essential to the project. Once a contractor has been selected, he joins the design team and the design of the project is finalised. A Tender Document is then prepared, a price agreed for the works, and a contract signed between the employer and the contractor. The contractor again undertakes the construction works under his own management control, which is monitored by the Design Team.

Advantages

- Good quality design can be achieved.
- Buildability can be increased by having the contractors input.
- Good cost control can be achieved through design (although less certain during construction).
- The overall timescale can generally be shortened.
- Suitable for complex projects.
- Reduces the problems associated with the separation of responsibility for design and construction.
- Client retains control of design.

Disadvantages

- Not suitable if design and tender of phases is a linear operation where continuity of contractor cannot be ensured - split liabilities.
- Some degree of cost insecurity depending on the degree of acceleration achieved.
- Some degree of loss of competitive edge depending on the degree of acceleration achieved.
- Susceptible to delays in the construction process.
- Susceptible to contractual claims.

3.2.1 DESIGN AND BUILD SYSTEMS

3.2.1 “True” Design and Build

Operation

The appointed Consultants prepare the Clients requirements into outline proposals based on the brief. These are incorporated into a tender document called Employer’s Requirements and issued to a selected list of contractors to submit a tender.

The Contractors each prepare and submit their contractor’s proposals in response to the Employer’s Requirements. The Client, after detailed appraisal, accepts one and enters into contract with that contractor. The Contractor completes his detail design and carries out the works, monitored by the Client's advisors.

The design can be undertaken using the contractors own in-house design team, an external design team or by having the client’s design team novated to him.

An Employers Agent can be appointed to act on the Employers behalf during the construction period to administer the contract.

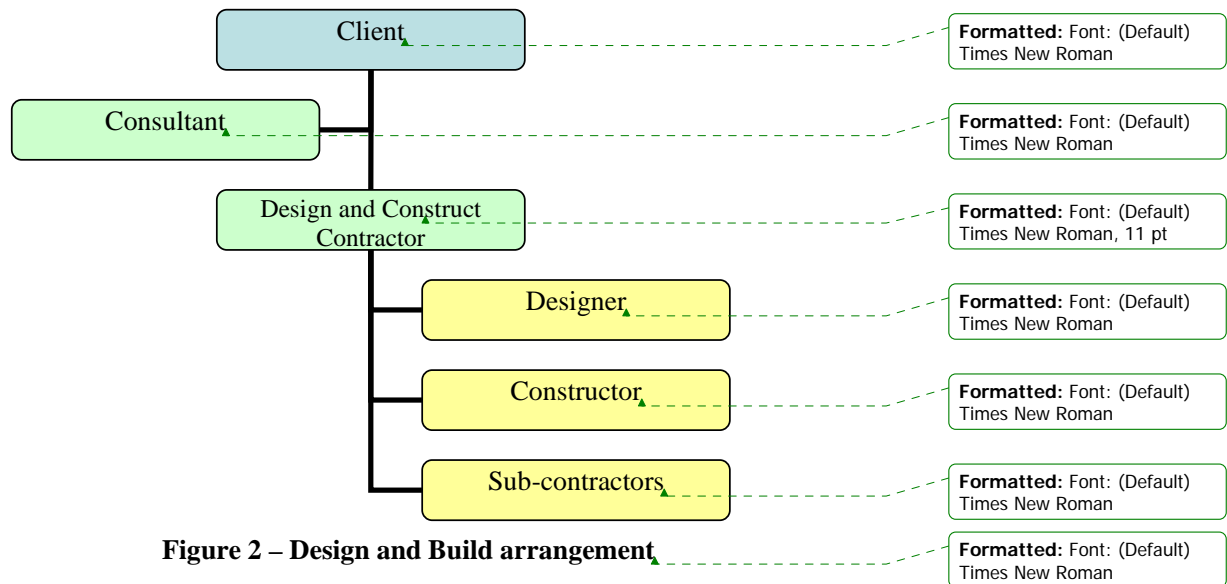


Figure 2 – Design and Build arrangement

Advantages

- Single point responsibility.
- Client has direct contact with the Contractor.
- Work can start before detailed design is complete.
- Number of variations is reduced.
- Integrated design and construction teams improve buildability.
- Speed and cost certainty where Client's brief is firm.
- Reduces delays if client's brief is firm.
- Avoids confrontational attitudes if Client's brief is firm.

- Fixed price and completion dates.
- Involves contractor in the project management.
- The contractor manages the working drawing process.
- Reduces contract disputes and associated costs.
- Buildability.
- Shortens pre-contract period enabling a quicker site start.

Disadvantages

- Parity of tendering (and thus tender evaluation) can be difficult to obtain.
- Not suitable for complex or technically advanced construction.
- Not suitable for prestige buildings.
- Suffers from cost escalation unless requirements are fully defined, by which time the benefits of early start are lost.
- Client has less control than traditional, therefore a clear brief is essential.
- Poor detailing; buildings expensive to maintain.
- Temptation to maximise profit at expense of quality.
- Contractors do not provide independent advice and are not always acting in the Client's best interest.
- Client requires a shadow consultant team to ensure that his interests are being served.
- Obtaining full Client's brief.
- Difficult to identify cost of variations.

3.2.2 Develop and Construct

Background

With this variant, the Client appoints consultants to develop the design to an advanced stage, and then invites contractors to complete and guarantee the design in competitive tender.

Operation

The Architect develops the brief into detailed design proposals in consultation with the Client and other design team members.

These are incorporated into a tender document called Employer's Requirements and issued to a selected list of contractors to submit a tender.

The Contractors each prepare and submit their contractor's proposals in response to the Employer's Requirements. The Client, after detailed appraisal, accepts one and enters into contract with that contractor. The Contractor develops the tender information to produce working drawings and carries out the works, monitored by the Client's advisors.

The design can be undertaken using the contractors own in-house design team, an external design team or by having the client's design team novated to him.

An Employers Agent can be appointed to act on the Employers behalf during the construction period to administer the contract.

Advantages

- The Client retains control over the design.
- Good quality design can be achieved.
- Single point responsibility.
- Client has direct link with contractor.
- Integrated design and construction teams improve buildability.
- Number of variations is reduced.
- Speed and cost certainty where Client's brief is firm.
- Reduces delays if Client's brief is firm.
- Avoids confrontational attitudes if Client's brief is firm.
- Fixed price and completion dates.
- Involves contractor in the project management.
- The contractor manages the working drawing process.
- Reduces contract disputes and associated costs.
- Shortens pre-contract period enabling a quicker site start.

Disadvantages

- Cost control of change orders is difficult.
- Not suitable for very complex or technically advanced construction.
- Suffers from cost escalation unless requirements are fully defined, by which time the benefits of an early start are lost.
- Client has less control than traditional, therefore a clear brief is essential.
- Contractors do not provide independent advice, and are not always acting in Client's best interest.
- Client requires a shadow consultant team to ensure that his interests are being served.
- Obtaining full Client's brief.
- Difficult to identify cost of variations.

3.3 MANAGEMENT FORMS OF CONTRACT

Management forms of contract came into general recognition when "management" was identified as a separate element of the building process, in the same way as "design" and "construction" had been split previously. It became widely used in the late 70's and 80's, particularly in the commercial sector when we had massive increases in the rate for borrowing and inflation, and the industry and their clients realised that for many projects, time was of the essence.

3.3.1 Management Contracting

Background

There are several variations. The objective of all management forms of contract is to bring into the Design Team the construction knowledge and management expertise of a contractor. This type of system tends to be used on the larger or more complex projects, or projects under time constraints.

The contractor undertakes, for a fixed fee, to manage all the works contractors and to deliver the project by employing them as his works-contractors.

The Works contractors are let after competitive tender, and the Management Contractor is therefore precluded from executing any of this work with his own resources. He only provides management expertise.

Fee Management

The Contractor provides the service of managing for a fee all construction work, which is then carried out on a "prime cost" basis, using the contractors own labour in part, and sub-contracting the balance, as in a traditional contract.

Operation

The Management Contracting system is subject to some variation, but essentially operates as follows:

The Design Team, in consultation with the Client, develops the brief and then starts the process of selecting a Management Contractor. To maximise the benefits of buildability, consideration should be given to appointing the Management Contractor early in the design process.

A tender document is sent to Management Contractors containing as much information as possible, and typically a detailed Client's brief, sketch design drawings, and estimate of Prime Cost.

The Management Contractors prepare their bids and are encouraged to discuss the project with the Client and the Design Team.

The Management Contractors submit their bids, which should contain the following minimum information:

- introduction summarising the key factors of the project, and their understanding of the clients objectives.
- details of the services they can provide, and previous experience and CV's of principal staff.
- proposals containing their appreciation of the projects objectives, site organisation, construction methods, breakdown of the project into suitable work packages.
- programmes showing the integration of Design, Procurement and Construction.

- detailed management procedures and how they will integrate with the Design Team.
- selection, appointment and management of the works contractors.
- financial planning and control of cost and expenditure.
- overview of the Estimate of Prime Cost.
- planning and programming procedures, QA, Safety and industrial requirements.
- forms of control.
- Management fee.

The Client and Design Team review this information, which involves interviews with the Management Contractor and his proposed team. The final selection can be based on the following:

- Management Contractor's Fee
- estimate of site management costs on a monthly/annual basis. This cost can be sought on a lump sum basis.
- head office input and back-up.
- methodology for carrying out the works.
- quality of resources.
- previous experience.
- draft programmes covering Design, Procurement and Construction.
- sub-letting of works packages.
- special requirements of the project.

A full report is submitted to the Client, and a Management Contractor appointed. The Management Contractor joins the Design Team and the brief is developed.

Documentation for the individual works packages is prepared, and Works Contractors are selected by competitive tender.

The construction work commences, managed by the Management Contractor, designed and monitored by the Design Team, and built by the individual works contractors under contract to the management contractor.

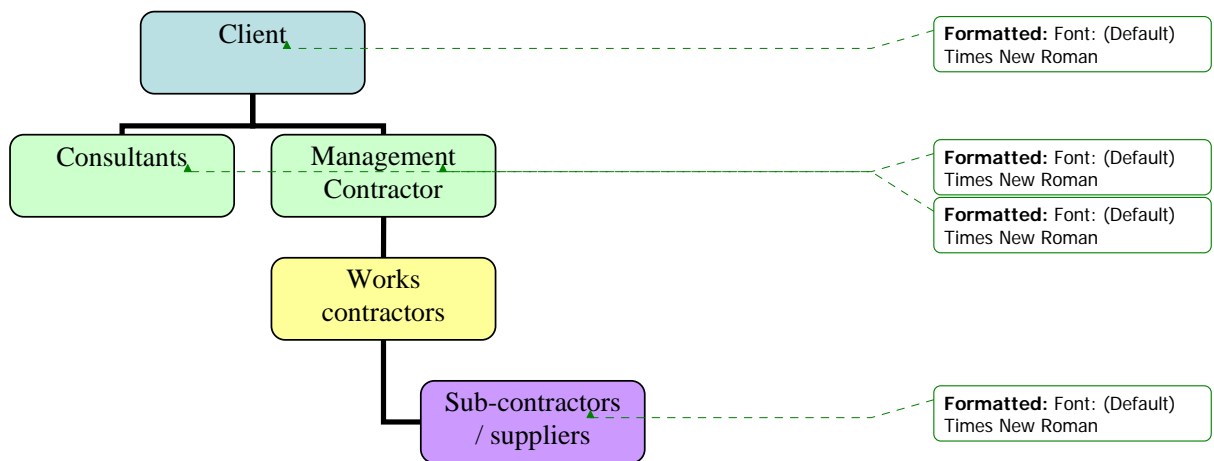


Figure 3 – Management Contracting arrangement

Advantages

- Client retains control over the design.
- Good design is achieved.
- Buildability is maximised.
- Shortened procurement period therefore the construction process can start and finish at an earlier date than under a traditional contract arrangement.
- Suitable for large and complex projects.
- Changes in clients requirements can be more readily incorporated during the construction period.
- Tenders are sought when work is required to be done, therefore over or indeed, under assessment of future inflation by Works contractors on long term construction projects is mitigated.
- Contractors knowledge of the industry is utilised.
- Continual evaluation of options is possible

Disadvantages

- Cost and price control is often afforded a lower priority than programme.
- Cost insecurity i.e. price is uncertain when contract is let.
- Disputes between Management Contractor/Works contractors/Designers can lead to cost to the client.
- Time constraints may prohibit good design.
- Considered more expensive option than "traditional" option.
- L & A damages can only be invoked at project completion.
- Difficulties are experienced if Works Contractors go into receivership.

3.3.2 Construction Management

Background

The management service is provided by a Construction Manager, and all trade contracts are appointed and paid direct by the Client, with the Construction Manager retaining responsibility for performance.

Operation

The Construction Manager is, within this system, an independent construction consultant, and his selection follows much the same course for Management Contractors.

The Construction manager is involved with the planning, procurement, and management of the construction process. To this end, while he can have some input into the design process, he is primarily concerned with the procurement and management of the works packages by the individual works contractors. In this sense, he is little different from the Management Contractor, but this system differs in that the individual contracts for the Works Contractors are with the Client rather than the Management Contractor.

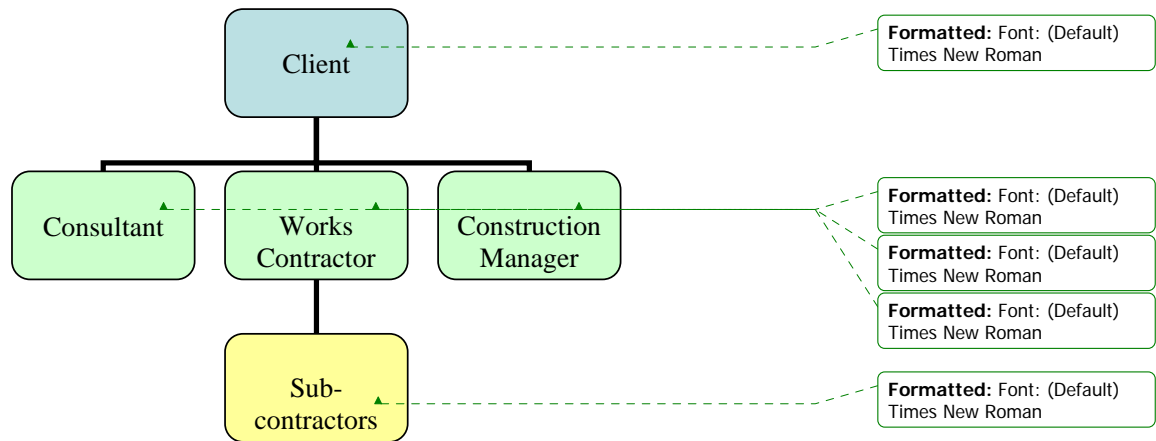


Figure 4 – Construction Management arrangement

Advantages

- Client retains control over design.
- Good design is achieved.
- Buildability is maximised.
- Shortened procurement period, therefore the construction process can start and finish at an earlier date than under traditional contract arrangement.
- Suitable for large and complex projects.
- Changes in clients requirements can be more readily incorporated during the construction period.
- Tenders are sought when work is required to be done, therefore over or indeed under assessment of
- inflation by Works contractors on long term construction projects is mitigated.
- Contractors knowledge of the industry is utilised.
- Continual evaluation of options is possible.
- Possible to have L&A damages applicable to a Works contractor enforceable at the end of the Works contractors work.

Disadvantages

- Cost and price control is often afforded a lower priority than programme.
- Cost insecurity i.e. price, is uncertain when the contract is let.
- Time constraints may prohibit good design.
- Considered more expensive option than "traditional" option.

3.4 DESIGN AND MANAGE SYSTEMS

The Design and Manage system combines some of the characteristics of the "design and build" with those of "management".

3.4.1 Contractor Led

Background

This system is a combination of Management Contracting and the two stage variation on Develop & Construct Design and Build.

Operation

The Client assembles a design team to develop his brief all as described in the Develop & Construct section.

A Management Contractor is then selected and appointed, broadly following the procedure noted under Management Contracting. An additional selection criteria considered by the Client would be the D&M Contractors expertise and experience in this particular field.

The Contractor then undertakes to complete the design and appoints the Works Contractors to complete the individual works package elements.

Advantages

- Contractor supervises design team.
- Reduces contract disputes and associated costs.
- Good design can be achieved.
- Buildability is maximised.
- Shortened procurement period therefore the construction process can start and finish at an earlier date than under traditional contract arrangement.
- Suitable for large and complex projects.
- Changes in clients requirements can be more readily incorporated during the construction period.
- Tenderers are sought when work is required to be done therefore over or indeed under assessment of
- inflation by Works contractors on long term construction projects is mitigated.
- Contractors knowledge of the industry is utilised.
- Continual evaluation of options is possible.

Disadvantages

- Client loses control of design team.
- Cost and price control is often afforded a lower priority than programme.
- Cost insecurity i.e. price is uncertain when the contract is let.
- Time constraints may prohibit good design.
- Considered more expensive option than "traditional" option.

3.4.2 Contractor Led with Guaranteed Maximum Price

Background

This system is a combination of management contracting and the two stage variation on Develop and Construct and Design and Build, but provides the Client with cost security.

Operation

The Design Team in consultation with the Client, develops the brief and then starts the process of selecting a Management Contractor. To maximise the benefits of buildability, consideration should be given to appointing the Management Contractor early in the design process. This can be achieved for instance by Two Stage Tendering.

Tender documentation is prepared and Management Contractors are invited to submit a Guaranteed Maximum Price on the basis of a pre-defined format.

A Management Contractor is then appointed following broadly the procedure noted under Management Contracting. An additional selection criteria to be considered would be the D&M Contractors expertise in this particular field, and how realistic is their GMP.

The Contractor then undertakes to complete the design (the Client's design team may be novated to him) and appoints Works Contractors to complete the individual works package elements.

Final costs are ascertained by the Client's advisors and any saving between the GMP and the final cost is shared on a predetermined basis between the client and the Management Contractor

Any cost increase is borne by the Management Contractor, unless it is as a result of a change to the Client's brief.

Advantages

- Contractor supervises design team.
- Reduces contract disputes and associated costs.
- Good design can be achieved.
- Cost security, i.e. Guaranteed Maximum Price is known prior to contract.
- Buildability is maximised.
- Shortened procurement period, therefore the construction process can start and finish at an earlier date than under traditional contract arrangement.
- Suitable for large and complex projects.
- Changes in clients requirements can be incorporated during the construction period.
- Transfers financial and programme risk to contractor.
- Contractors knowledge of the industry is utilised.
- Continual evaluation of options is possible.

Disadvantages

- Client loses control of design team.
- Time constraints may prohibit good design.
- Could be more expensive option than "traditional" option, since savings are shared with the contractor.

4 KEY OBJECTIVES ANALYSIS

The advantages and disadvantages of the various procurement route options were analysed against the key objectives previously identified for the Coatbridge Baths Redevelopment project:

Parameter	Objectives	Trad	D&B	Man	DMC
Timing	Early completion	X	✓	✓	✓
Cost	Price certainty before construction start	✓	✓	X	X✓
Quality	Prestige level in design and construction	✓	X	✓	X✓
Variations	Avoid prohibitive cost of change	✓	X	✓	X✓
Complexity	Technically advanced or highly complex building	X	X	✓	✓
Responsibility	Single contractual link for project execution	X	✓	X	✓
Professional Responsibility	Need for design team to report to sponsor	✓	X	✓	X
Risk avoidance	Desire to transfer complete risk	X	✓	X	✓
Damage recovery	Ability to recover costs direct from the contractor	✓	✓	X	✓
Buildability	Contractor input to economic construction	X	X	✓	✓

Figure 5 – Key Objectives Analysis

✓ Appropriate X Not appropriate

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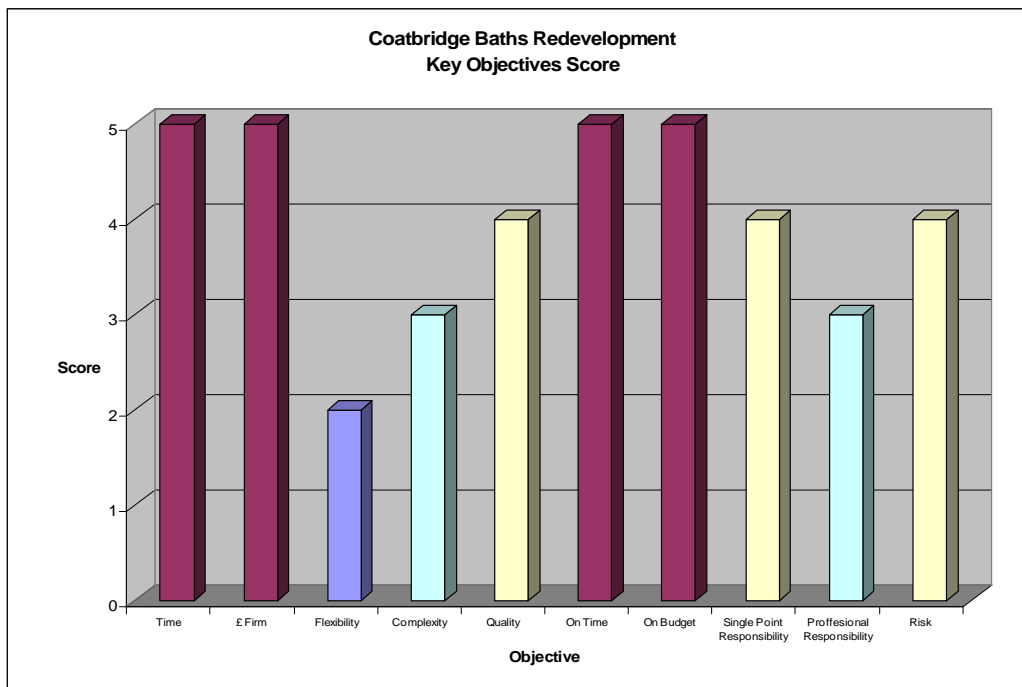
5 ANALYSIS OF BALANCE OF RISK

The balance of risk within each procurement option was also identified (Refer Appendix 2) relative to:

- Programme
- Variation
- Complexity
- Quality
- Price Certainty
- Competition
- Responsibility
- Risk (overall)

6 SCORING MATRIX

The key objectives identified at the beginning of the workshop were scored with completion on time or earlier, firm price required before commitment to construct, and completion on budget scoring the highest marks. High quality, single point of responsibility and transfer of appropriate risk were also identified as important.



Score 5 = Essential

Score 1 = Do without

Figure 6 – Key Objectives Scores

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The scores were incorporated into a scoring matrix – Refer Appendix 3 and the procurement options were ranked as follows:

<u>Rank</u>	<u>Procurement Option</u>	<u>Score</u>
1	Design and Construct with a Guaranteed Maximum Price	3,310
2	Develop and Construct	3,060
3	Design and Manage	3,050
4	Design and Build - competitive	2,980
5	Management Contracting	2,670
6	Construction Management	2,560
7	Traditional	2,450

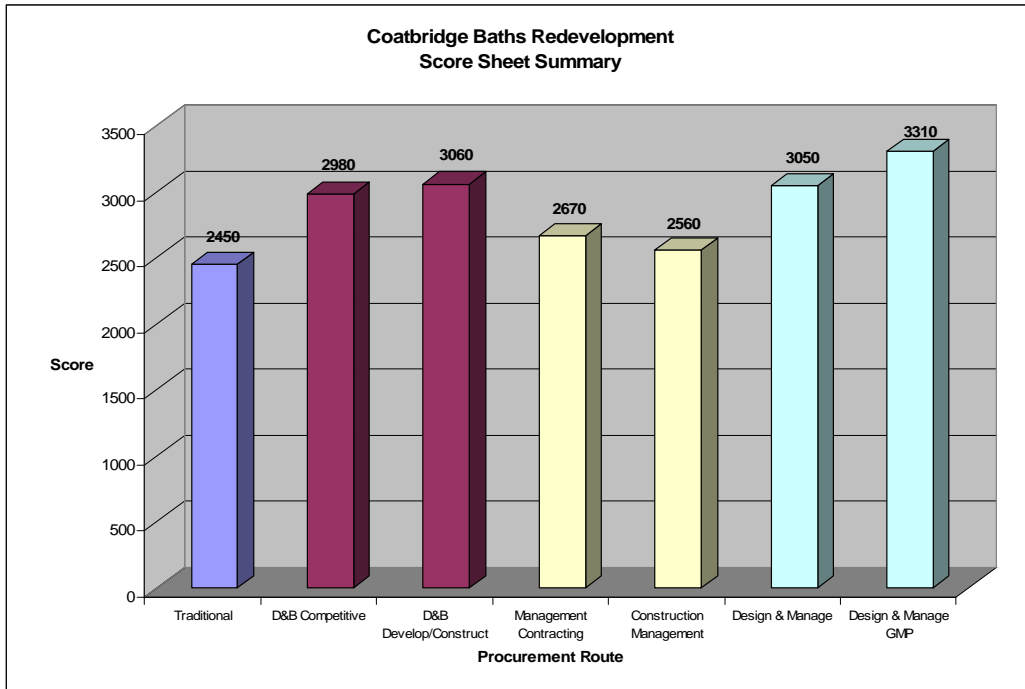


Figure 7 – Total Score Summary

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7 RECOMMENDATION

Following the procurement option analysis, the analysis of the balance of risk and the completion of the scoring matrix the following procurement strategy is proposed for the Coatbridge Baths Redevelopment project. The team considered this procurement route meets the key objectives identified for the project and offers a flexible approach and will deliver best value and minimise risk.

The recommended procurement route is Design and Construct procured utilising a 2 stage tender approach. This can be delivered by one of the following methods

- **Guaranteed Maximum Price**
(contractor carries more risk)
- **Lump sum**
(shared risk client/contractors possible claims)
- **Incentivised Target Cost**
(Managed risk allocation to appropriate party drives value minimises potential claims)

Appendix B

**Doig & Smith
126-130 Main Street, Coatbridge
Stage 1 Tender Report**

126-130 MAIN STREET, COATBRIDGE
STAGE 1 TENDER REPORT

1.0 Introduction

- 1.1 After a formal pre-qualification process in line with OJEC procurement rules, Stage One Tenders were issued to 5No. Contractors for pricing on 15 February 2007 with a return date of 26 March 2007. The 4No. Contractors were Interserve, Balfour Beatty, Graham Construction, Dawn Construction and Miller Construction.
- 1.2 Contractors were requested to price for Management Fee, Design Team Fees, Common User Services and Oncost & Profit on Nett Costs as part on their Stage One Tender. The Contractors were advised that they would be brought on board with their own Design Team should they be successful in becoming the preferred contractor.
- 1.3 The Contractors proposed design teams were as follows:-

Interserve	Balfour Beatty	Graham Construction	Dawn Construction	Miller Construction
HLM	Gareth Hoskins	SMC Davis Duncan	Keppie	DUCO
URS	Whitby Bird	WA Fairhurst	Goodson	Cundall Johnston
WYG	Whitby Bird	Hawthorne Boyle	DSSR	Cundall Johnston

- 1.4 Contractors were also requested to submit further details of their management approach to the Project for review to provide further assurance of the contractor's suitability for the project. The Contractors were scored on their response to the questions posed within the Stage 1 Tender documentation.
- 1.5 Miller Construction withdrew from the tender process due to unplanned tendering pressure. All the remaining tenders were returned by the requested date and in the requested manner. Tenders were opened in the North Lanarkshire Council Motherwell offices on 26 March 2006.
- 1.6 The Tenders were advised to submit their tender costs based upon Construction budget costs totalling £12,300,000.00.

2.0 Stage One Tender Period

- 2.1 During the tender period 8No. tender clarifications were issued in response to various queries raised by the Tenderers. Responses to queries raised by individual Tenderers were issued to all Tenderers.

3.0 Stage One Tender Review

- 3.1 Each Tenderer submitted their Stage One tender costs for Common User Services, Management Fee and Design Fees on 26 March 2007 and the unchecked bids, based upon the estimated Construction cost of £12,300,00.00 and were as follows:-

• Interserve	£3,355,014.00 (7.5% On Cost & Profit Included)
• Balfour Beatty	£3,231,260.00 (5.0% On Cost & Profit Included)
• Graham Construction	£4,225,753.20 (13.5% On Cost & Profit Included)
• Dawn Construction	£2,845,626.62 (6.0% On Cost and Profit Included)

- 3.2 The 4 No. Contractor's bids were reviewed in detail. Following the review Graham Construction were found to be substantially higher than the other bids and would be unable to be selected as preferred contractor. As such only 3No. Tenderers were asked further questions. The 3No Tenderers were asked to provide/ confirm a number of tender clarifications in respect of their tender submissions. All clarification responses were received from the Tenderers.
- 3.3 All the interviewed Contractors stated that the works, as the brief currently stands, should be capable of being accommodated within the £12,300,000.00 construction budget although they would require further detail prior to confirming same.
- 3.4 All the Contractors stated that the works, as the brief currently stands, should be capable of being accommodated within the current programmed completion date subject to changes to the detail of the programme although they would require further detail prior to confirming same.
- 3.5 A copy of the "Financial Report on Offers" which includes additions/deletions to the Interserve, Balfour Beatty and Dawn Construction original tender costs following in depth review of their tenders.
- 3.6 After an in depth review of the tenders, Interserve, Balfour Beatty and Dawn Construction were invited to attend an interview/ presentation on Thursday 5 April 2007. The interviews were held to provide comfort that the Contractor and associated Design Team understood the process, the objectives and the aspirations of the project.
- 3.7 Each of the Contractors and associated Design Team made their presentations and responded to the questions posed in a professional and confident manner. Notes of the tender interviews/ presentations were taken are available for review upon request.

- 3.8 The interviews were scored collectively by the interview panel which consisted of 2No. representatives from North Lanarkshire Council, 2No. representatives from NHS Lanarkshire and 2No. representatives from Doig & Smith.
- 3.9 The price submitted by the tenders was scored and added to the scores for the written submissions and interviews to provide an overall score. A 60% weighting was given to the price score with a 10% weighting to the interview and a 30% weighting to the written submission.
- 3.10 The mechanism for establishing the price scores was that the lowest tender was awarded 100 points. All other tenders were then awarded 100 points, less the percentage by which their priced submission was above that of the lowest.
- 3.11 Copies of the full Stage 1 Tenders submitted by the Contractors are retained by Doig & Smith and are available for review upon request.
- 3.12 Each of the Contractors interviewed provided clarifications/ qualifications to their tender.
- 3.13 All the Contractors interviewed stated that they would require pre-construction cost for works carried out until a formal contract is in a position to be signed. The contractors costs are as follows:-

- Balfour Beatty £ 569,560.00
- Interserve £ 474,856.68
- Dawn Construction £ 782,141.00

Details of the breakdown of the pre-construction cost are included within the 'Report on Stage 1 Offers'. The Dawn Construction cost includes for an M&E Performance Specification being provided and should a full design be required a cost of approximately £61,807 should be allowed.

This should be further discussed with Dawn to consider the benefits. (The equalisation scoring is based on the inclusion of this figure of £61,807.00)

- 3.14 Each of the Tenderers confirmed completed the declaration issued with the Stage 1 Tender.

4.0 Summary & Recommendation

- 4.1 Due to each of the Tenderers presenting well at the interviews and responding confidently to the questions posed, none of the Tenderers approach or understanding of the project raised any doubts about their capability to carry out the works.

4.2 As can be seen from the 'Report on Stage 1 Offers' the Tenderers costs following review and equalization and based upon a budget for the Sub Contracts of £12,300,000.00 are as follows:-

- Balfour Beatty £2,970,319.00
- Interserve £2,973,893.00
- Dawn Construction £2,770,843.62

A sensitivity analysis was also carried out to review the tenders with the Construction cost at £11,000,000.00 and £13,500,000.00. At £11,000,000.00 and £13,500,000.00 it was found that the Dawn Construction cost remained the best value.

4.3 As Dawn Construction provided the lowest tender, scored the highest overall when the written submission, price and interviews were taken into account and have shown a good understanding of the process, the objectives and the aspirations of the project, we would recommend that Dawn Construction offer best value for the project and are appointed to progress to Stage 2.

4.4 The information provided within this report is commercially sensitive and as such the contents of this report should not be released into the public domain.

4.5 The tenders were arithmetically checked and no change to the order of tenders resulted.

5.0 Introduction

5.1 After a formal pre-qualification process in line with OJEC procurement rules, Stage One Tenders were issued to 5No. Contractors for pricing on 15 February 2007 with a return date of 26 March 2007. The 4No. Contractors were Interserve, Balfour Beatty, Graham Construction, Dawn Construction and Miller Construction.

5.2 Contractors were requested to price for Management Fee, Design Team Fees, Common User Services and Oncost & Profit on Nett Costs as part on their Stage One Tender. The Contractors were advised that they would be brought on board with their own Design Team should they be successful in becoming the preferred contractor.

5.3 The Contractors proposed design teams were as follows:-

Interserve	Balfour Beatty	Graham Construction	Dawn Construction	Miller Construction
HLM	Gareth Hoskins	SMC Davis Duncan	Keppie	DUCO
URS	Whitby Bird	WA Fairhurst	Goodson	Cundall Johnston
WYG	Whitby Bird	Hawthorne Boyle	DSSR	Cundall Johnston

- 5.4 Contractors were also requested to submit further details of their management approach to the Project for review to provide further assurance of the contractor's suitability for the project. The Contractors were scored on their response to the questions posed within the Stage 1 Tender documentation.
- 5.5 Miller Construction withdrew from the tender process due to unplanned tendering pressure. All the remaining tenders were returned by the requested date and in the requested manner. Tenders were opened in the North Lanarkshire Council Motherwell offices on 26 March 2006.
- 5.6 The Tenders were advised to submit their tender costs based upon Construction budget costs totalling £12,300,000.00.

6.0 Stage One Tender Period

- 6.1 During the tender period 8No. tender clarifications were issued in response to various queries raised by the Tenderers. Responses to queries raised by individual Tenderers were issued to all Tenderers.

7.0 Stage One Tender Review

- 7.1 Each Tenderer submitted their Stage One tender costs for Common User Services, Management Fee and Design Fees on 26 March 2007 and the unchecked bids, based upon the estimated Construction cost of £12,300,00.00 and were as follows:-

• Interserve Included)	£3,355,014.00	(7.5%	On Cost & Profit
• Balfour Beatty Included)	£3,231,260.00	(5.0%	On Cost & Profit
• Graham Construction Included)	£4,225,753.20	(13.5%	On Cost & Profit
• Dawn Construction Included)	£2,845,626.62	(6.0%	On Cost and Profit

- 7.2 The 4 No. Contractor's bids were reviewed in detail. Following the review Graham Construction were found to be substantially higher than the other bids and would be unable to be selected as preferred contractor. As such only 3No. Tenderers were asked further questions. The 3No Tenderers were asked to provide/ confirm a number of tender clarifications in respect of their tender submissions. All clarification responses were received from the Tenderers.
- 7.3 All the interviewed Contractors stated that the works, as the brief currently stands, should be capable of being accommodated within the £12,300,000.00 construction budget although they would require further detail prior to confirming same.

- 7.4 All the Contractors stated that the works, as the brief currently stands, should be capable of being accommodated within the current programmed completion date subject to changes to the detail of the programme although they would require further detail prior to confirming same.
- 7.5 A copy of the “Financial Report on Offers” which includes additions/deletions to the Interserve, Balfour Beatty and Dawn Construction original tender costs following in depth review of their tenders.
- 7.6 After an in depth review of the tenders, Interserve, Balfour Beatty and Dawn Construction were invited to attend an interview/ presentation on Thursday 5 April 2007. The interviews were held to provide comfort that the Contractor and associated Design Team understood the process, the objectives and the aspirations of the project.
- 7.7 Each of the Contractors and associated Design Team made their presentations and responded to the questions posed in a professional and confident manner. Notes of the tender interviews/ presentations were taken are available for review upon request.
- 7.8 The interviews were scored collectively by the interview panel which consisted of 2No. representatives from North Lanarkshire Council, 2No. representatives from NHS Lanarkshire and 2No. representatives from Doig & Smith.
- 7.9 The price submitted by the tenders was scored and added to the scores for the written submissions and interviews to provide an overall score. A 60% weighting was given to the price score with a 10% weighting to the interview and a 30% weighting to the written submission.
- 7.10 The mechanism for establishing the price scores was that the lowest tender was awarded 100 points. All other tenders were then awarded 100 points, less the percentage by which their priced submission was above that of the lowest.
- 7.11 Copies of the full Stage 1 Tenders submitted by the Contractors are retained by Doig & Smith and are available for review upon request.
- 7.12 Each of the Contractors interviewed provided clarifications/ qualifications to their tender.
- 7.13 All the Contractors interviewed stated that they would require pre-construction cost for works carried out until a formal contract is in a position to be signed. The contractors costs are as follows:-
- Balfour Beatty £ 569,560.00
 - Interserve £ 474,856.68
 - Dawn Construction £ 782,141.00

Details of the breakdown of the pre-construction cost are included within the 'Report on Stage 1 Offers'. The Dawn Construction cost includes for an M&E Performance Specification being provided and should a full design be required a cost of approximately £61,807 should be allowed.

This should be further discussed with Dawn to consider the benefits. (The equalisation scoring is based on the inclusion of this figure of £61,807.00)

- 7.14 Each of the Tenderers confirmed completed the declaration issued with the Stage 1 Tender.

8.0 Summary & Recommendation

- 8.1 Due to each of the Tenderers presenting well at the interviews and responding confidently to the questions posed, none of the Tenderers approach or understanding of the project raised any doubts about their capability to carry out the works.

- 8.2 As can be seen from the 'Report on Stage 1 Offers' the Tenderers costs following review and equalization and based upon a budget for the Sub Contracts of £12,300,000.00 are as follows:-

A sensitivity analysis was also carried out to review the tenders with the Construction cost at £11,000,000.00 and £13,500,000.00. At £11,000,000.00 and £13,500,000.00 it was found that the Dawn Construction cost remained the best value.

- 8.3 As Dawn Construction provided the lowest tender, scored the highest overall when the written submission, price and interviews were taken into account and have shown a good understanding of the process, the objectives and the aspirations of the project, we would recommend that Dawn Construction offer best value for the project and are appointed to progress to Stage 2.
- 8.4 The information provided within this report is commercially sensitive and as such the contents of this report should not be released into the public domain.
- 8.5 The tenders were arithmetically checked and no change to the order of tenders resulted.

Appendix C

Schedule of Accommodation

Appendix C

Schedule of Accommodation

Department Name	Room ID	Room Name	Actual Area
Community Mental Health	COM101	Reception	30.8
Community Mental Health	COM102	Waiting Area/Children's Play	37.8
Community Mental Health	COM103-01	Patient Toilet - Ambulant Male	3.0
Community Mental Health	COM104-01	Patient Toilet - Ambulant Female	3.7
Community Mental Health	COM105	Patient Toilet - Disabled	5.7
Community Mental Health	COM201-01	Consultant Psychiatrist Office/Interview	11.1
Community Mental Health	COM201-02	Consultant Psychiatrist Office/Interview	11.1
Community Mental Health	COM201-03	Consultant Psychiatrist Office/Interview	11.1
Community Mental Health	COM201-04	Consultant Psychiatrist Office/Interview	11.1
Community Mental Health	COM202	Staff Grade Office/Interview	12.8
Community Mental Health	COM203	SPR Office/Interview	12.1
Community Mental Health	COM204	SHO Office/Interview	12.1
Community Mental Health	COM205-01	Consultant Psychologist Office/Interview	12.1
Community Mental Health	COM205-02	Consultant Psychologist Office/Interview	12.1
Community Mental Health	COM206	Clinical Psychologist Office/Interview	12.1
Community Mental Health	COM207	Counselling Psychologist Office/Interview	12.1
Community Mental Health	COM208-01	Clinical Associate in Applied Psychology	12.1
Community Mental Health	COM208-02	Clinical Associate in Applied Psychology	12.1
Community Mental Health	COM209-01	Trainee Clinical Psychologist	9.3
Community Mental Health	COM209-02	Trainee Clinical Psychologist	9.3
Community Mental Health	COM210-01	Consulting/Interview Room	11.1
Community Mental Health	COM210-02	Consulting/Interview Room	11.1
Community Mental Health	COM210-03	Consulting/Interview Room	11.1
Community Mental Health	COM210-04	Consulting/Interview Room	11.1
Community Mental Health	COM210-05	Consulting/Interview Room	11.1
Community Mental Health	COM210-06	Consulting/Interview Room	11.1
Community Mental Health	COM210-07	Consulting/Interview Room	11.1
Community Mental Health	COM211-01	Treatment Room	20.2
Community Mental Health	COM211-02	Treatment Room	20.2
Community Mental Health	COM212-01	General Consulting Interview Room	11.1
Community Mental Health	COM212-02	General Consulting Interview Room	11.1
Community Mental Health	COM212-03	General Consulting Interview Room	11.1
Community Mental Health	COM212-04	General Consulting Interview Room	11.1
Community Mental Health	COM212-05	General Consulting Interview Room	11.1
Community Mental Health	COM212-06	General Consulting Interview Room	11.1
Community Mental Health	COM212-07	General Consulting Interview Room	11.1
Community Mental Health	COM301	Multi Purpose Room - Large	20.7
Community Mental Health	COM302-01	Multi Purpose Room - Small	15.0
Community Mental Health	COM302-02	Multi Purpose Room - Small	15.0
Community Mental Health	COM401	Drug Store	7.4
Community Mental Health	COM402	Disposal Hold	7.9
Community Mental Health	COM403	DSR	0.0
Community Mental Health	COM501	Admin Office - 2 Person - Psychiatry Service	15.5
Community Mental Health	COM502	Admin Office - 2 Person - Psychology Service	15.5
Community Mental Health	COM503	Admin Office - 8 Person - Eating	46.8

Department Name	Room ID	Room Name	Actual Area
		Disorders Team	
Community Mental Health	COM504	Office - Senior Nurse - COT	9.1
Community Mental Health	COM505	Office - Senior Social Worker - COT	9.1
Community Mental Health	COM506	Senior Occupational Therapist - COT	9.0
Community Mental Health	COM507-01	Admin Office - 4 Person - COT	24.0
Community Mental Health	COM507-02	Admin Office - 4 Person - COT	24.0
Community Mental Health	COM507-03	Admin Office - 4 Person - COT	24.0
Community Mental Health	COM507-04	Admin Office - 4 Person - COT	24.0
Community Mental Health	COM508	Admin Office - 2 Person - COT	12.1
Community Mental Health	COM509	Admin Office - 5 Person - COT/FIT	0.0
Community Mental Health	COM510	Office - Senior Nurse - FIT	9.1
Community Mental Health	COM511-01	Office - 4 Person - FIT	24.0
Community Mental Health	COM511-02	Office - 4 Person - FIT	24.0
Community Mental Health	COM512	Office - 3 Person - FIT	18.1
Community Mental Health	COM513	Admin Office - Open Plan	50.1
Community Mental Health	COM514	Record Storage	39.5
Community Mental Health	COM601	Learning Centre	11.9
Community Mental Health	COM602	Staff Room	34.6
Community Mental Health	COM603-01	Staff Toilet	2.8
Community Mental Health	COM603-02	Staff Toilet	0.0
Community Mental Health	COM605	Disabled Toilet - Staff	0.0
Dental - Community & Student Outreach	DEN101	Reception	23.8
Dental - Community & Student Outreach	DEN102	Waiting Area/Children's Play Area	84.5
Dental - Community & Student Outreach	DEN103-01	Ambulant Toilet - Male	2.5
Dental - Community & Student Outreach	DEN103-02	Ambulant Toilet - Male	2.5
Dental - Community & Student Outreach	DEN104-01	Ambulant Toilet - Female	2.5
Dental - Community & Student Outreach	DEN104-02	Ambulant Toilet - Female	2.5
Dental - Community & Student Outreach	DEN105-01	Disabled Toilet	5.2
Dental - Community & Student Outreach	DEN105-02	Disabled Toilet/Baby Change Unit	5.1
Dental - Community & Student Outreach	DEN201-01	Surgery No. 1 (Community)	17.0
Dental - Community & Student Outreach	DEN201-02	Surgery No. 1 (Community)	17.0
Dental - Community & Student Outreach	DEN202-01	Surgery No. 3 (Specialist)	17.0
Dental - Community & Student Outreach	DEN202-02	Surgery No. 3 (Specialist)	17.0
Dental - Community & Student Outreach	DEN202-03	Surgery No. 3 (Specialist)	17.0
Dental - Community & Student Outreach	DEN203	Outreach Facility	281.4
Dental - Community & Student Outreach	DEN204	Dental Consulting Room	16.0
Dental - Community & Student Outreach	DEN205	Dental X-ray Room	16.4
Dental - Community & Student Outreach	DEN301	Education Resource Room	24.0
Dental - Community & Student Outreach	DEN302	Meeting Room	24.0
Dental - Community & Student Outreach	DEN401	Decontamination Room	51.0
Dental - Community & Student Outreach	DEN402	Decontamination Store & Trolley Bay	32.0
Dental - Community & Student Outreach	DEN403-01	Compressor Room No. 1	8.6
Dental - Community & Student Outreach	DEN403-02	Compressor Room No. 1	6.4
Dental - Community & Student Outreach	DEN404	Medical Gas Room	15.0
Dental - Community & Student Outreach	DEN405	Oral Health Team	30.1
Dental - Community & Student Outreach	DEN406-01	Store	9.4
Dental - Community & Student Outreach	DEN406-02	Store	9.4
Dental - Community & Student Outreach	DEN407	Store - Outreach Facility	10.2
Dental - Community & Student Outreach	DEN408	DSR - Cleaners Cupboard	5.9
Dental - Community & Student Outreach	DEN409	Waste Hold - Outreach	5.7

Department Name	Room ID	Room Name	Actual Area
Dental - Community & Student Outreach	DEN410	Waste Hold - Decontamination	5.9
Dental - Community & Student Outreach	DEN501	Open Plan Office - large	24.0
Dental - Community & Student Outreach	DEN502	Open Plan Office	16.0
Dental - Community & Student Outreach	DEN503	Records Room	24.2
Dental - Community & Student Outreach	DEN601	Staff Room	29.8
Dental - Community & Student Outreach	DEN602	Changing/Lockers/Toilets - Female	32.8
Dental - Community & Student Outreach	DEN603	Changing/Lockers/Toilets - Male	14.0
Dental - Community & Student Outreach	DEN701	Switch/Plant Room/ Compressor Room for GDPs	7.8
Dental - GDP Practices	GDP101	ReceptionOffice - GDP no. 1	19.5
Dental - GDP Practices	GDP102	Waiting/Childrens Play Area	50.7
Dental - GDP Practices	GDP104	ReceptionOffice - GDP no. 2	19.5
Dental - GDP Practices	GDP201-01	Dental Surgery - GDP no. 1	19.3
Dental - GDP Practices	GDP201-02	Dental Surgery - GDP no. 1	19.3
Dental - GDP Practices	GDP201-03	Dental Surgery - GDP no. 1	19.3
Dental - GDP Practices	GDP201-04	Dental Surgery - GDP no. 1	19.3
Dental - GDP Practices	GDP202	Hygienist - GDP no. 1	19.3
Dental - GDP Practices	GDP203-01	Dental Surgery - GDP no. 2	19.3
Dental - GDP Practices	GDP203-02	Dental Surgery - GDP no. 2	18.4
Dental - GDP Practices	GDP203-03	Dental Surgery - GDP no. 2	17.4
Dental - GDP Practices	GDP203-04	Dental Surgery - GDP no. 2	17.9
Dental - GDP Practices	GDP204	Hygienist - GDP no. 2	17.9
Dental - GDP Practices	GDP401	Store - GDP no. 2	10.6
Dental - GDP Practices	GDP402	Waste Hold - GDP no. 1	5.4
Dental - GDP Practices	GDP403	Store - GDP no. 1	10.6
Dental - GDP Practices	GDP404	Waste Hold - GDP no. 2	5.4
Dental - GDP Practices	GDP405	DSR	13.4
Dental - GDP Practices	GDP501	Records - GDP no. 1	7.9
Dental - GDP Practices	GDP502	Records - GDP no. 2	7.9
GP Practice No.1 - CRC	CRC101	Reception	14.2
GP Practice No.1 - CRC	CRC102	Waiting Room/Child Play	60.6
GP Practice No.1 - CRC	CRC103	Breakout Room	12.3
GP Practice No.1 - CRC	CRC201-01	GP Consultation Room	16.6
GP Practice No.1 - CRC	CRC201-02	GP Consultation Room	16.6
GP Practice No.1 - CRC	CRC201-03	GP Consultation Room	16.6
GP Practice No.1 - CRC	CRC201-04	GP Consultation Room	16.6
GP Practice No.1 - CRC	CRC201-05	GP Consultation Room	16.6
GP Practice No.1 - CRC	CRC202	GP Registrar	16.6
GP Practice No.1 - CRC	CRC203-01	Practice Nurse Room	15.8
GP Practice No.1 - CRC	CRC203-02	Practice Nurse Room	15.8
GP Practice No.1 - CRC	CRC204	Health Consulting Room	15.8
GP Practice No.1 - CRC	CRC205	Specimen Toilet	4.1
GP Practice No.1 - CRC	CRC206	Minor Surgery	19.4
GP Practice No.1 - CRC	CRC301	Data Input Room	16.1
GP Practice No.1 - CRC	CRC401	Clinical Store	9.7
GP Practice No.1 - CRC	CRC403	Disposal Hold	6.0
GP Practice No.1 - CRC	CRC501	Practice Manager	12.6
GP Practice No.1 - CRC	CRC502	Practice Records	14.0
GP Practice No.1 - CRC	CRC503	Admin Office/Photocopier/Fax	37.5
GP Practice No.2 - CST	CST101	Reception	13.5
GP Practice No.2 - CST	CST102	Waiting	61.7

Department Name	Room ID	Room Name	Actual Area
GP Practice No.2 - CST	CST103-01	Interview Room	12.2
GP Practice No.2 - CST	CST104	Patient Ambulant Toilet - Male	2.6
GP Practice No.2 - CST	CST105	Patient Ambulant Toilet - Female	4.2
GP Practice No.2 - CST	CST106	Disabled Toilet	2.6
GP Practice No.2 - CST	CST201-01	GP Consultation Room	19.0
GP Practice No.2 - CST	CST201-02	GP Consultation Room	19.0
GP Practice No.2 - CST	CST201-03	GP Consultation Room	19.0
GP Practice No.2 - CST	CST201-04	GP Consultation Room	19.0
GP Practice No.2 - CST	CST201-05	GP Consultation/Podiatry Room	17.0
GP Practice No.2 - CST	CST202	GP Registrar	17.0
GP Practice No.2 - CST	CST203-01	Practice Nurse Room	16.6
GP Practice No.2 - CST	CST203-02	Practice Nurse Room	16.6
GP Practice No.2 - CST	CST203-03	Practice Nurse Room	16.6
GP Practice No.2 - CST	CST204	Health Consulting Room	16.6
GP Practice No.2 - CST	CST205	Specimen Toilet	7.9
GP Practice No.2 - CST	CST206	Minor Surgery	21.5
GP Practice No.2 - CST	CST301	Data Input Room	24.2
GP Practice No.2 - CST	CST401	Clinical Store	10.4
GP Practice No.2 - CST	CST501	Practice Manager	14.9
GP Practice No.2 - CST	CST502	Practice Records	14.9
GP Practice No.2 - CST	CST503	Admin Office	31.1
GP Practice No.2 - CST	CST601	Breakout Room	12.2
GP Practice Shared	CRC104	Patient Ambulant Toilet - Male	2.7
GP Practice Shared	CRC105	Patient Ambulant Toilet - Female	2.5
GP Practice Shared	CRC106	Disabled Toilet	2.3
GP Practice Shared	CRC302	Shared Library	20.1
GP Practice Shared	CRC303	Meeting Room	20.1
GP Practice Shared	CRC402	DSR	10.0
GP Practice Shared	CRC601	Staff Room	20.1
GP Practice Shared	CRC602	Staff Toilet - Male	1.6
GP Practice Shared	CRC603	Staff Toilet - Female	1.6
GP Practice Shared	CRC605	Staff Change	2.7
First Stop Shop	FSS101	Public Waiting Area	195.0
First Stop Shop	FSS102-01	Interview Room	9.3
First Stop Shop	FSS102-02	Interview Room	9.3
First Stop Shop	FSS102-03	Interview Room	9.3
First Stop Shop	FSS102-04	Interview Room	9.3
First Stop Shop	FSS102-05	Interview Room	9.3
First Stop Shop	FSS103	Interview Room Family	14.8
First Stop Shop	FSS501	Cash Desks/Counter	21.0
First Stop Shop	FSS502	General Counter & Back Office	168.0
First Stop Shop	FSS503	FSS Manager	10.1
First Stop Shop	FSS504	Cash Office	11.6
Library	LIB101	Lending Library Open Plan	609.5
Library	LIB102	Information Section Open Plan	145.5
Library	LIB501	Staff Work Area	56.9
Library	LIB502	Office - 1 Person	10.5
Library	LIB503	Office - 2 Person	15.0
Library	LIB504	Office - 3 Person	20.4
Library	LIB601	Staffroom + Kitchen	34.9

Department Name	Room ID	Room Name	Actual Area
Library	LIB602	Staff Toilet - Male	9.7
Library	LIB603	Staff Toilet - Female	9.7
Library	LIB604	Staff Toilet - Disabled	5.5
Registrar	REG101	Public Reception Area	42.4
Registrar	REG102-01	Interview Room	12.5
Registrar	REG102-02	Interview Room	12.5
Registrar	REG103	Ceremonial Suite	40.3
Registrar	REG104	Prep Room	7.4
Registrar	REG501	Manager's Office	12.0
Registrar	REG503	Admin Office Open Plan	49.1
Registrar	REG504	Store/Records Room	12.5
Entrance	ENT101	Draught Lobby	24.4
Entrance	ENT102	Entrance Foyer	258.7
Entrance	ENT103	Main Reception	19.1
Entrance	ENT104	Public Toilets - Male	11.4
Entrance	ENT105	Public Toilets - Female	23.5
Entrance	ENT106	Disabled Toilet/Nappy Change	5.5
Entrance	ENT109	Goods Entrance	47.9
Entrance	ENT301	Management Room	12.0
Entrance	ENT401	DSR - Cleaners Cupboard	6.9
Entrance	ENT403	Disposal Hold - Domestic (Lower Ground)	0.0
Entrance	ENT701	Main Plantroom	0.0
Entrance	ENT702	Plantroom - AHUs	349.4
Entrance	ENT703	Electrical Switchroom	283.6

Appendix D

126-130 Main Street, Coatbridge

Summary of Areas (SQ.M)

Appendix D

126-130 MAIN STREET, COATBRIDGE

SUMMARY OF AREAS (SQ.M.)

Ground Floor (Library, First Stop Shop, Registrar)	Escape Stairs	81.58
	Common Areas	367.38
	NORTH LANARKSHIRE COUNCIL Areas	1764.58
	Total	2213.54
First Floor (Dental)	Escape Stairs	84.24
	Common Areas	70.65
	NHS Areas	1764.90
	Total	1919.79
Second Floor (Mental Health)	Escape Stairs	80.94
	Common Areas	70.85
	NHS Areas	1398.32
	Total	1550.11
Third Floor (GP Surgeries)	Escape Stairs	56.30
	Common Areas	70.45
	NHS Areas	1207.87
	Total	1334.62
Basement	Car Park	805
	Showers	36.90
Total		841.90

Summary

NORTH LANARKSHIRE COUNCIL 1764.58 sq.m. 28.76%

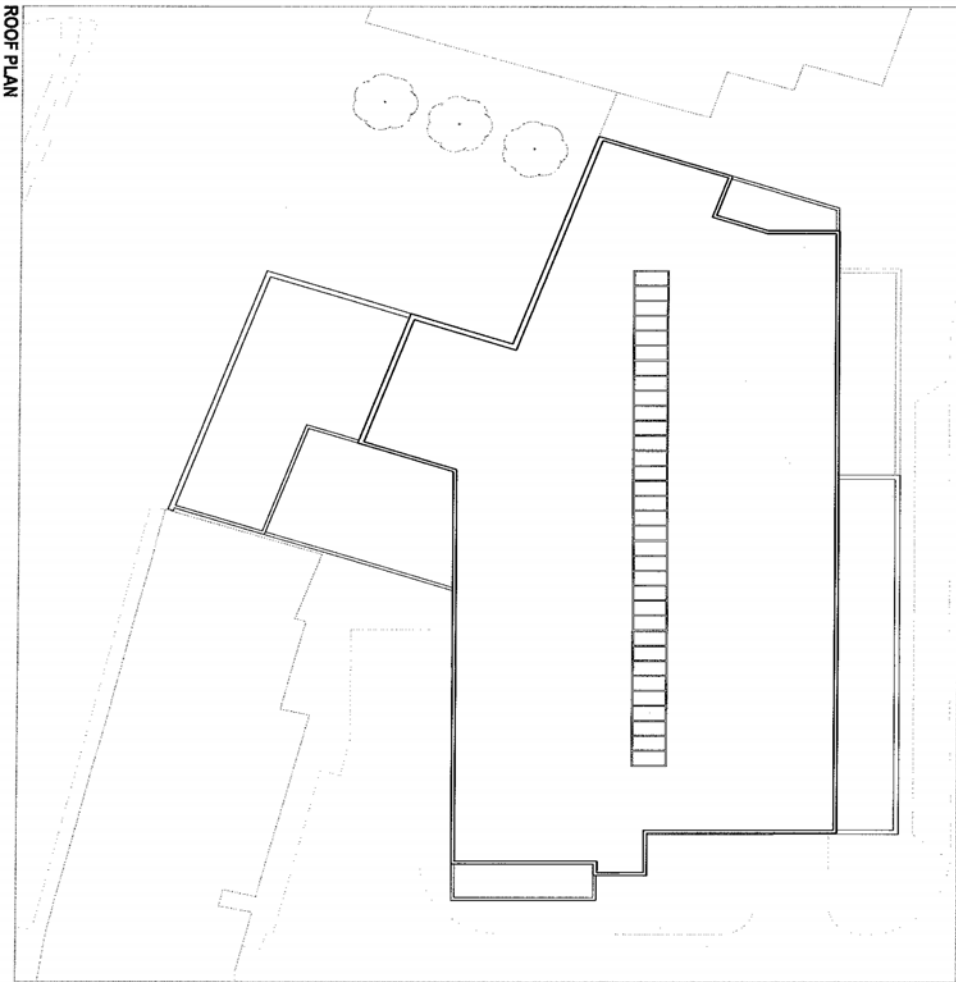
NHS 4371.09 sq.m. 71.24%

Total 6135.67 sq.m. 100%

Appendix E

Site Plans/Drawings

Appendix E



ROOF PLAN



keppie

architects

interior design

planning

100 Royal Exchange Street
 Singapore 048621
 Tel: 65 6733 3333
 Fax: 65 6733 4477
 www.keppie.com

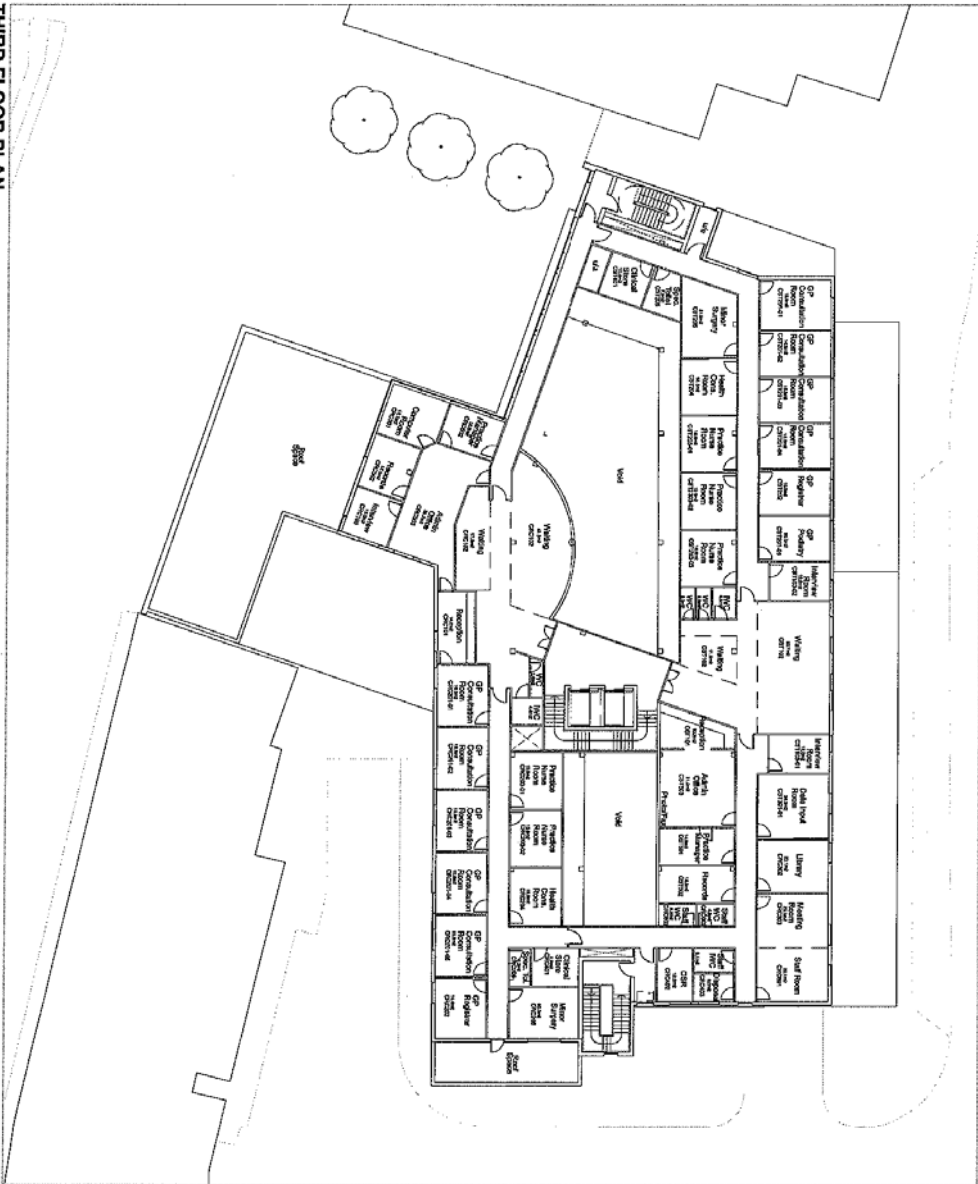
North: Lantau Island

Project: 1200
 1200-001 Main Street
 Concessions

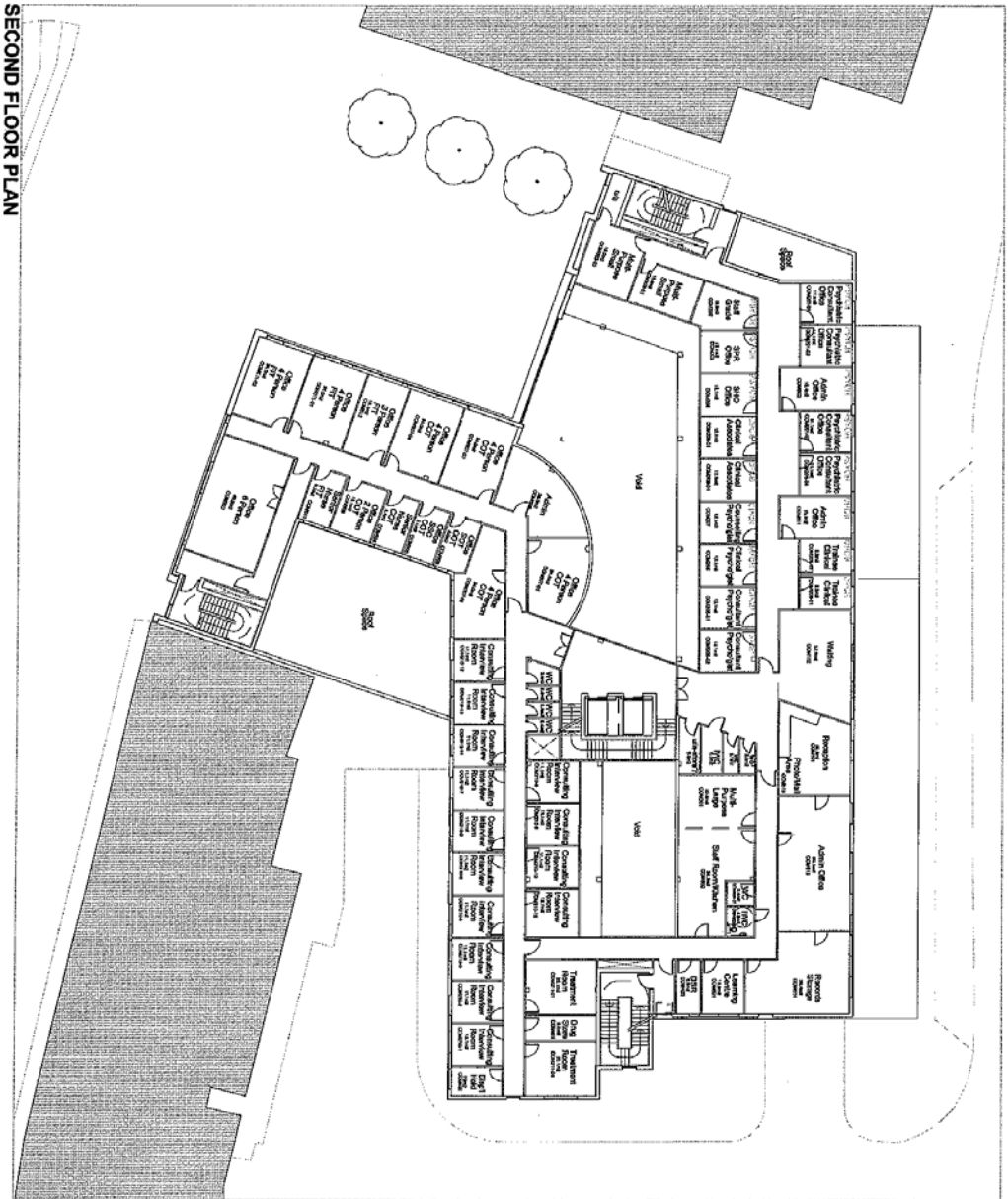
Third Floor Plan &
 Roof Plan

Scale: 1:200
 Date: 12/03/07
 Project No: KP-G00000-003_00
 Drawing No: 101
 Title: PLANNING
 A1

THIRD FLOOR PLAN



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SECOND FLOOR PLAN



keppie

architects
interior design

planning

103 West Regent Street
Quezon City, Philippines
www.keppie.com.ph
041 291 025
041 291 4711

North Lanesville Council

125-133 Main Street
Cambridge

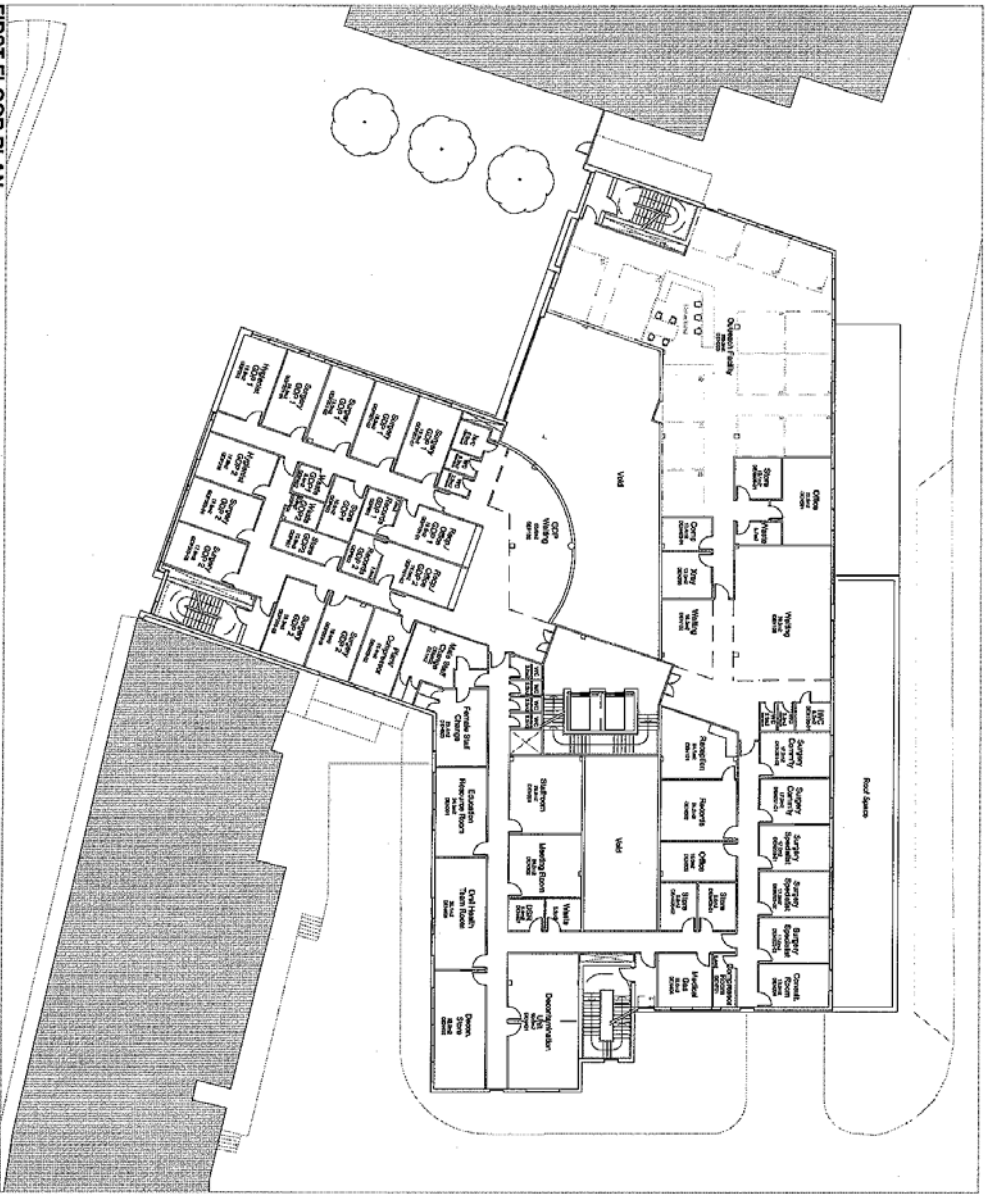
First & Second
Floor Plans

Scale: 1:200

(A4)

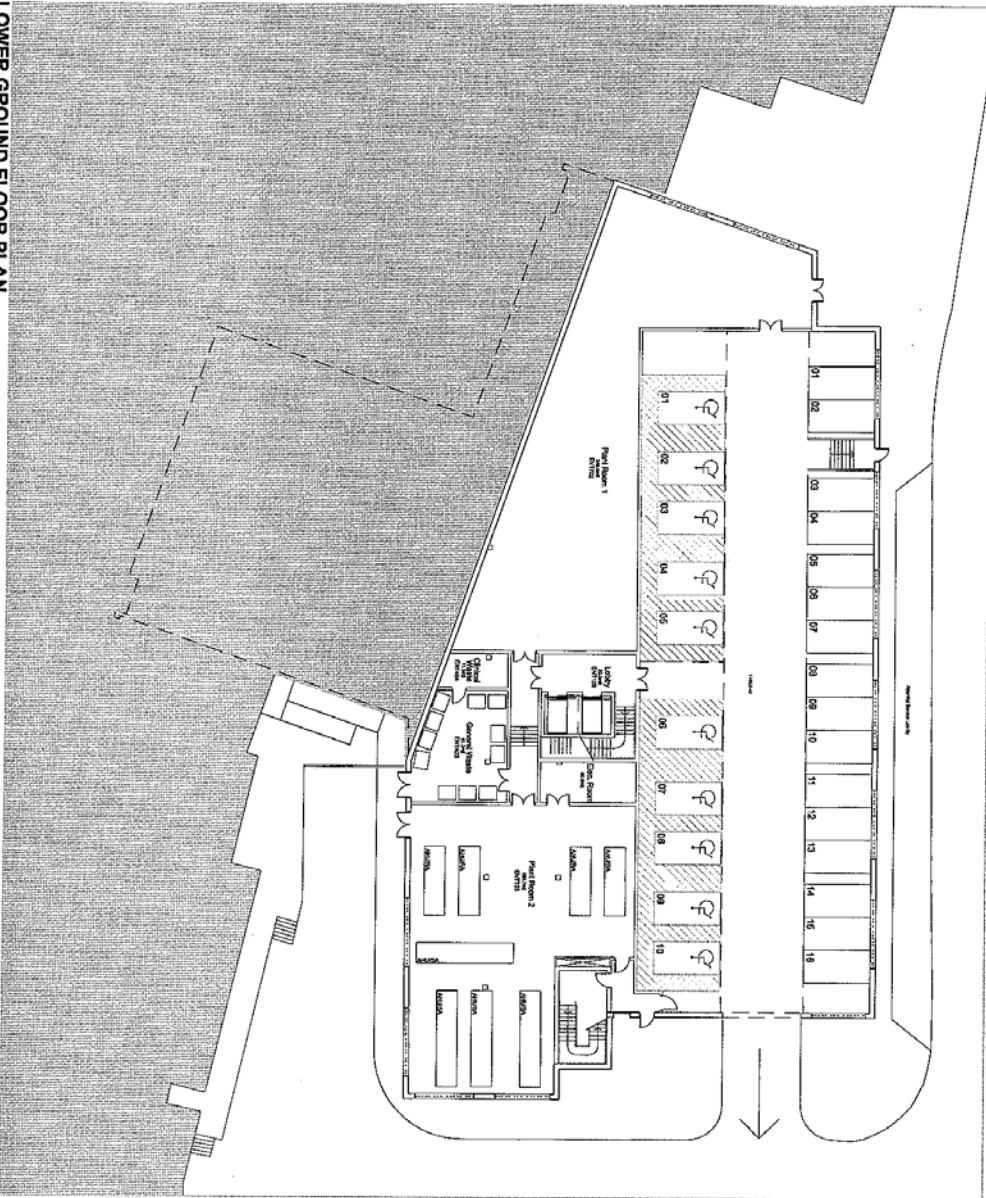
207007 The
KD-G03X-002 00

FIRST FLOOR PLAN



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LOWER GROUND FLOOR PLAN



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Appendix F

Optimism Bias Calculations

Appendix F

Optimism Bias - Upper Bound Calculation for Build

Lowest % Upper Bound	13%
Mid %	40%
Upper %	80%
Actual % Upper Bound for this project	34%

Build complexity			
<i>Choose 1 category</i>		X	
<i>Length of Build</i>	< 2 years	x	0.50%
	2 to 4 years		2.00%
	Over 4 years		5.00%
			0.50%
<i>Choose 1 category</i>			
<i>Number of phases</i>	1 or 2 Phases	x	0.50%
	3 or 4 Phases		2.00%
	More than 4 Phases		5.00%
			0.50%
<i>Choose 1 Category</i>			
<i>Number of sites involved (i.e. before and after change)</i>	Single site*		2.00%
	2 Site	x	2.00%
	More than 2 site		5.00%
			2.00%
* Single site means new build is on same site as existing facilities			
Location			
<i>Choose 1 Category</i>			
<i>New site - Green field</i>	New build		3%
	New Build	x	8%
<i>Existing site</i>	New Build		5%
			8.00%
<i>or</i>			
<i>Existing site</i>	Less than 15% refurb		6%
<i>Existing site</i>	15% - 50% refurb		10%
<i>Existing site</i>	Over 50% refurb		16%
			11.00%

Optimism Bias Calculation

Build Complexity	11.00%
Scope of Sceme	23.00%
Total Upper Bound for this Project	34.00%
Risk Mitigation Factor	14.00%
Optimism Bias Applied to Capital	4.76%

Scope of scheme			
<i>Choose 1 category</i>		X	
Facilities Management	Hard FM only or no FM	x	0.00%
	Hard and soft FM		2.00%
			0.00%
<i>Choose 1 category</i>			
Equipment	Group 1 & 2 only		0.50%
	major Medical equipment	x	1.50%
	All equipment included		5.00%
			1.50%
<i>Choose 1 category</i>			
IT	No IT implications		0.00%
	Infrastructure	x	1.50%
	Infrastructure & systems		5.00%
			1.50%
<i>Choose more than 1 category if applicable</i>			
External Stakeholders	1 or 2 local NHS organisations		1.00%
	3 or more NHS organisations		4.00%
	Universities/Private/Voluntary sector/Local government	x	8.00%
			8.00%
Service changes - relates to service delivery e.g NSF's			
<i>Choose 1 category</i>			
Stable environment, i.e. no change to service			5%
Identified changes not quantified		x	10%
Longer time frame service changes			20%
			10.00%
Gateway			
<i>Choose 1 category</i>			
RPA Score	Low		0%
	Medium	x	2%
	High		5%
			2.00%
			23.00%

Scheme name: Coatbridge Integrated Dental & Resource Centre

Contributory Factor to Upper Bound	% Factor Contributes	% Factor Contributes after mitigation	Explanation for rate of mitigation
Progress with Planning Approval	4	0	Full Planning consent in place. Judicial review period elapsed.
Other Regulatory	4	1	Design includes all known standards - significant engagement with fire adviser, local authority and transport planning
Depth of surveying of site/ground information	3	1	Full survey of conditions, site services and topographics. Grouting required to former mineworkings.
Detail of design	4	1	All 1:200's in place and key 1:50's in place
Innovative project/design (i.e. has this type of project/design been undertaken before)	3	1	The building is of a standard format and does not involve any complex design requirements.
Design complexity	4	1	The building is of a standard format and does not involve any complex design requirements.
Likely variations from Standard Contract	2	0	A standard form of contract is in place and there are no perceived contractual issues.
Design Team capabilities	3	0	Design team appointed following detailed appointment process - all members have significant suitable experience.

Contributory Factor to Upper Bound	% Factor Contributes	% Factor Contributes after mitigation	Explanation for rate of mitigation
Contractors' capabilities (excluding design team covered above)	2	0	Developer has a detailed process to select suitably qualified contractors with proven track records.
Contractor Involvement	2	0	Developer fully engaged in the design and planning of the project.
Client capability and capacity (NB do not double count with design team capabilities)	6	1	Robust implementation plan in place and support provided by independent professional project managers.
Robustness of Output Specification	25	3	Detailed design has superceded this and the design is signed off. Detail of operational policies now also in place.
Involvement of Stakeholders, including Public and Patient Involvement	5	1	High degree of involvement and agree with stakeholders around development.
Agreement to output specification by stakeholders	5	1	Detail design and room data sheet sign off.
New service or traditional	3	0	Detail design includes development of the service models supporting the new build - these are essentially traditional
Local community consent	3	0	This has been confirmed during the planning process.

Contributory Factor to Upper Bound	% Factor Contributes	% Factor Contributes after mitigation	Explanation for rate of mitigation
Stable policy environment	20	3	There is no expectation of new policies or standards emerging which will impact upon design
Likely competition in the market for the project	2	0	A full OJEU two stage tendering process has been undertaken to select the developer and contractors - there is a high degree of competition and therefore price certainty and value for money.
TOTAL	100	14	

Note: Across all contributory factors, mitigation would be expected to be greater the greater the extent of risk quantification and risk management.

Appendix G

Forms FB 1 - 4

Appendix G

FULL BUSINESS CASE FOR PREFERRED OPTION COST FORM FB1

NHS Board: Lanarkshire

SCHEME: Coatbridge Dental & Integrated Resource Centre

PHASE: Full Business Case – Tendered Costs

PROJECT DIRECTOR: Ian Ross

CAPITAL COSTS SUMMARY

	Cost Exc VAT £	VAT £	Cost Inc. VAT £
1. Department Costs (from Form FB2)	5,154,234	-	5,154,234
2. On-Costs (a) (from Form FB3) (108.04% of Department Cost)	5,568,832	-	5,568,832
3. Works Cost Total (1+2) atFP/VOP* SPSBTP1 (Tender Price index level)	10,723,066	-	10,723,066
4. Provisional location adjustment (if applicable) (% of £) (b)	-	-	-
5. Sub Total (3+4):	10,723,066		10,723,066
6. Fees (c) (11.39% of sub-total 5)	1,221,314	-	1,221,314
7. Non-Works Costs (from Form FB4) (c)			
LAND			
OTHER	35,620	-	35,620
8. Equipment Cost (from Form FB2) (18.54% of Department Cost)	955,745	167,255	1,123,000
9. Contingencies (Optimism Bias 4.76%)	570,000	-	570,000
10. TOTAL (for approval purposes)	13,505,745	167,255	13,673,000
11. Inflation Adjustments (f) Tendered Fixed Price	-	-	-
12. FORECAST OUTTURN TAKEOVER BUSINESS CASE TOTAL	13,505,745	167,255	13,673,000

Cash Flow Year:	SOURCE			£
	EFL	OTHER GOVERNMENT	PRIVATE	
			Total Cost (as 10 above)	_____
				=====

This form completed by: Brian McWatt/Graham Johnston Date: 16th May 2008

Address: 14 Beckford Street

Hamilton ML3 0TA

Telephone No: 01698 206360

Authorised by: Project Director

PROGRAMME**COST FORM FB1 (CONT.)****STAGE DATE ENTERED IN FULL BUSINESS CASE:**

FULL BUSINESS CASE APPROVAL	
FINAL CERTIFICATE OF READINESS TO PROCEED TO TENDER ISSUED:	
SECOND STAGE APPROVAL:	
FIRST CONTRACT START ON SITE:	
DATE OF LAST CONTRACT PRACTICAL COMPLETION' ISSUED:	
SCHEME COMPLETION DATE:	

Notes:

* Delete as appropriate

- (a) On-costs should be supported by a breakdown as cost form FB3 together with a brief description of their scope.
- (b) Adjustment of national average D.C.G. price levels and on-costs for local market conditions.
- (c) Fees include all resource associated with the scheme e.g. project sponsorship, clerk of works etc.
- (d) Not applicable to professional fees – VAT reclaimable.
- (e) Non-works costs should be supported by a breakdown and include such items as contributions to statutory and local authorities, building regulations and planning fees; land costs and associated legal fees. Form EF2 to be attached to this summary.
- (f) Estimate of tender price inflation up to proposed tender date (plus contract fluctuations for VOP contractors only) will be entered by NHS Management Executive.

FULL BUSINESS CASE FOR PREFERRED OPTION**COST FORM FB2**

NHS Board Lanarkshire
 SCHEME: Coatbridge Dental & Integrated Resource Centre
 PHASE: Full Business case – Tendered Costs
 PROJECT DIRECTOR: Ian Ross

CAPITAL COSTS: DEPARTMENT COSTS AND EQUIPMENT COSTS

Functional Content Functional Units/ @ £1,179sq m N/A/C/ (2) DCG Schedule Equipment

	Space Requirement (1)		Date.....	Equipment Cost
First Floor (Dental)	1,764sq m	N	£ 2,079,756	£
Second Floor (Mental Health)	1,398sq m	N	1,648,244	
Third Floor (GP Surgeries)	1,208sq m	N	1,424,234	
Less abatement for Transferred equipment if applicable (.....%) (3)			<u>5,154,234</u>	<u>955,745</u>

Department Costs and Equipment Costs to Summary
(Form FB1)

See Notes Overleaf

This form completed by: Brian McWatt/Graham Johnston Date: 16th May 2008
 Telephone No 01698 206360

Notes:

Costs should be based on Departmental Cost Guides where appropriate and include for essential complimentary accommodation and optional accommodation and services where details are not available.

Identify separately any proposed adjustment (over or under cost guidance) justifiable in value for money terms (details to be provided).

* Delete as appropriate

1. State area and rate if departmental cost guidance not available
2. Insert:
N for new build
A for adaptations for alternative use or
C for upgrading existing building retaining current use
3. Provide details where appropriate

FULL BUSINESS CASE FOR PREFERRED OPTION**COST FORM FB3**NHS Board LanarkshireSCHEME: Coatbridge Dental & Integrated Resource CentrePHASE: Full Business Case – Tendered Costs**CAPITAL COSTS: ON-COSTS**

	Estimated Cost (exc VAT)	Percentage of Departmental Cost %
1. Communications	£	
a. Space (882sq m)	650,421	
b. Lifts	<u>134,644</u>	15.23
2. 'External' Building Works (1)		
a. Drainage/Groating, Piling	423,878	
b. Roads, paths, parking	952,480	
c. Preliminaries	777,228	
d. Scaffolding		
Sub total	2,407,913	46.72
3. 'External' Engineering Works (1)		
a. Steam, condensate, heating, hot water and gas supply mains		
b. Cold water mains and storage		
c. Electricity mains, sub-stations, stand-by generation plan		
d. Calorifiers and associated plant		
e. Miscellaneous services		
Sub total	2,169,970	42.10
4. Auxiliary Buildings		
5. Other on-costs and abnormals (2)		
a. Building		
b. Engineering		
c. Demolition	205,884	3.99
Total On-Costs to Summary FB 1	£5,568,832	108.04

Notes: Must be based on scheme specific assessments/measurements; attach details to define scope of works as appropriate.

* Delete as appropriate

(1) 'External' to Departments

(2) Identify any enabling or preliminary works to prepare the site in advance e.g. demolitions; service diversions; decanting costs; site investigation and other exploratory works.

This form completed by: Brian McWatt/Graham Johnston

Telephone No: 01698 206360 Date 16th May 2008

FULL BUSINESS CASE FOR PREFERRED OPTION**COST FORM FB4**

NHS Board NHS Lanarkshire

SCHEME: Coatbridge Dental & Integrated Resource Centre

PHASE: Full Business Case – Tendered Costs

CAPITAL COSTS: FEES AND NON-WORKS COSTS

	£	Percentage of Works Cost
1. Fees (including 'in-house' resource costs)		
a. Architects }	170,976	1.59
b. Structural Engineers }		
c. Mechanical Engineers }	784,352	7.31
and }		
Design Team }		
d. Electrical Engineers }		
e. Quantity Surveyors }	116,695	1.08
f. Project Management }	64,116	0.60
g. Legal Fees }		
h. Site Supervisor }		
I. Others (specify)	3,562	0.03
FIRE	<u>81,613</u>	<u>0.76</u>
Ground Investigation/Traffic Surveys		
Total Fees to Summary (FB1)	1,221,314	11.39

	£
2. Non-Works Costs	
a. Land Purchase costs and associated legal fees	
b. Statutory and Local Authority changes	35,620
c. Building Regulations and Planning Fees	
d. Other (relocating to new buildings)	
Non-Works Costs to Summary (FB1)	<u>35,620</u>

Appendix H

Risk Register

Appendix H

126-130 Main Street, Coatbridge

Risk Register

Version 1

20/02/2009

Risk Identification				Risk Evaluation				Response					
Risk No.	Risk Heading	Project	Risk Description	Risk Effect	Probability	Impact	Rt Score	Risk Level	Mitigation	Action Owner	Completion Date	Comments	Programme Activity ID
1	Construction		Delay in demolition decision by NLC	Cost and Time Increases, possible abortion of the project	1	3	3	GREEN	Initiate contingency for dental resource centre	NLC			
2	Construction		Mine Workings requiring grouting	Presents additional cost and time implications to the project	3	2	6	AMBER	Complete site investigation	NLC			
3	Design		Design Development	Increase in Project Costs	2	2	4	AMBER	Design development cost increases to be challenged	PM			
4	Design		Client Changes	Increase in cost and programme	3	2	6	AMBER	Obtain and use sign off of layouts and instigate rigid change control mechanism. Good stakeholder management will be critical to success.	NHSU/NLC			
5	Design		Planning Issues	Increase to cost and programme	3	2	6	AMBER	A&DS requirements to be isolated and highlighted within EPR	PM	01/03/2008		
6	Design		Design Team Failure	Increase in Programme and Cost	2	1	2	GREEN	Liability to be placed upon main contractor transferring impact away from NHSU	PM	Ongoing		
7	Design		Security	Failure to provide a viable building	1	2	2	GREEN	Early completion of operational procedures	NHSU/NLC			
8	Design		Operational Hours of Facility	Ability to maintain multiple occupancy	1	3	3	GREEN	Early completion of operational procedures	NHSL			
9	Design		Green Issues/Sustainability	Ability to meet current NHSL Standards	2	2	4	AMBER	Use of experienced consultants	NHSU/NLC			
10	Design		Fire Risk Assessment	Failure to meet fire standards and increase in costs	2	3	6	AMBER	Early involvement of internal and external specialists	NHSL			
11	Design		Waste Disposal	Adequate procedures for the removal of all clinical waste	1	2	2	GREEN	Early completion of operational procedures	NHSL			
12	Design		Tender Return Information	Delay in submission of Business Case	2	3	6	AMBER	Monitor stage 2 tender return	NHSU/NLC	01/03/2008	Currie & Brown to assist	
13	Design		Resolution of Fire Strategy	Failure to resolve items highlighted in fire officers comments	3	3	9	RED	Meeting to be arrange between Statutory fire officer/NHSL Fire Officer/NLC Fire Officer	NHSU/NLC			
14	Design		Planning changes to the square and requirement for sculptures	Increase requirements to provide specific finishes/sculptures to the front square of the building.	2	2	4	AMBER	Architects to request clarification from planning on design guidance for the square	NLC/NHSL			
15	Design		Provision of a Local Decontamination unit	Alteration to the design to provide any changes on the decontamination facilities, i.e. One large or 3 small.	3	2	6	AMBER	NHSL to review provision and decision to be taken with GDPs on provision requirements	NHSL			
16	Design		Provision of X-ray facilities in the building	Requirement of special materials for the protection of the rooms. Impacts on Cost and requirement for re-design	2	3	6	AMBER	NHSL to review guidance and response to be provided to the architect to include in design for lining	NHSL			
17	Financial		Construction Costs vs. Budget	Budget shortfall resulting in failure of the project, reduced spec	2	3	6	AMBER	Currie & Brown to monitor design development against stage C cost plan	NHSL	01/05/2008		
18	Financial		VAT	Project Cost	1	3	3	GREEN	Continual monitoring of strategic decision making to ensure VAT status is not jeopardised	NHSU/NLC	Ongoing		
19	Financial		Agreement of Business Case	Rejection resulting in resubmission will delay project start	2	3	6	AMBER	Early discussions with Scottish Government allied to early warning of cost increase	NHSL			

Appendix I

Correspondence from Financial Advisors and Auditors

Susan Goldsmith
Director of Finance
NHS Lanarkshire
14 Beckford Street
Hamilton
ML3 0BR

22 May 2008

Our Ref: CHB/ANG

Dear Susan,

Accounting advice on Coatbridge Dental and Integrated Resource Centre

The purpose of this letter is to set out our views on the accounting implications of NHS Lanarkshire's participation in the new Coatbridge Dental and Integrated Resource Centre.

Our advice only covers the accounting aspects of the scheme and does not cover value for money or other aspects such as legality.

The Chancellor of the Exchequer announced in his 2007 budget speech the decision to adopt International Financial Reporting Standards (IFRS) for public sector accounting by 2008/09. The Chancellor's 2008 budget announcement subsequently postponed this until 2009/10 and at the date of this letter it is still not clear how IFRS will be applied to the NHS in Scotland. As the Coatbridge Dental and Integrated Resource Centre is not expected to be completed until 2010, our advice is primarily based on accounting standards applicable to the Board as at the date of this letter. However, we have also considered the impact on the accounting treatment if the public sector adopts IFRS in full during 2009/10.

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Susan Goldsmith

22 May 2008

At this stage in the procurement process, it is only possible to give a high-level view based on the expected structure of the proposed scheme. The initial views in this letter are based on:

- Draft development agreement between North Lanarkshire Council and NHS Lanarkshire – 6 February 2008;
- Draft lease agreement between North Lanarkshire Council and Scottish Ministers – 26 March 2008.

We have prepared this letter solely for NHS Lanarkshire. If a third party were to obtain a copy without our prior written consent we would not accept any responsibility for any reliance they might place on it. However, we accept that you will provide a copy of this letter to your external auditors.

Accounting regime

NHS Boards in Scotland are currently required to comply with Scottish Ministers' guidance when preparing accounts. Scottish Ministers' guidance is principally set out in the Accounts Direction. The Accounts Direction requires Health Boards to prepare their Annual Accounts in compliance with the Government Financial Reporting Manual ('FReM') which sets out HM Treasury's accounting regulations applicable to most public sector entities. The FReM largely complies with UK Generally Accepted Accounting Practices ('UK GAAP'). The Scottish Government Health Directorate has also issued the NHS Board Accounts Manual and NHSScotland Capital Accounting Manual which have the status of Scottish Ministers' guidance.

The Treasury has issued a draft iFReM which sets out HM Treasury accounting regulations under IFRS. The iFReM is not yet complete and does not include guidance on infrastructure assets or PFI.

Description of project

NHS Lanarkshire is working in partnership with North Lanarkshire Council to build a new facility – the Coatbridge Dental and Integrated Resource Centre which will include a dental training and treatment centre, two General Dental practices, two General Medical practices, community dental services and community mental health services.

The arrangement is set out in a Development Agreement between North Lanarkshire Council and NHS Lanarkshire. NHS Lanarkshire will occupy approximately 71% of the new facility and North Lanarkshire Council will occupy the remaining area. The proposed location is at Main Street, Coatbridge and is a combination of a site owned by North Lanarkshire Council and a site owned by NHS Lanarkshire. North Lanarkshire Council will be responsible for the construction and management of the property.

As part of the development agreement, NHS Lanarkshire will contribute approximately 71% of the construction cost, transfer title for its Main Street, Coatbridge property to North Lanarkshire Council and will contribute towards the infrastructure and car parking costs.

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North Lanarkshire Council will lease the relevant share of the new property to NHS Lanarkshire for 175 years at a nominal rate of £1 per annum. This is set out in the draft lease agreement between North Lanarkshire Council and the Scottish Ministers.

We have structured this letter to address the three main elements of this transaction:

- construction costs;
- land transfer; and
- contribution to infrastructure costs.

We have also considered the impact of IFRS.

How to account for the contribution to construction costs

NHS Lanarkshire will pay approximately 71% of the construction costs of the new facility but will not own the facility. In exchange for NHS Lanarkshire's contribution, North Lanarkshire Council will grant NHS Lanarkshire a 175 year lease at a nominal rate of £1 per annum.

In line with the NHSScotland Capital Accounting Manual the accounting treatment of this lease will depend on whether the lease is a finance or an operating lease. NHSScotland's Capital Accounting Manual (sections 6.4, 6.5 and 6.6) contains the following definitions for leases:

Term	Definition per Capital Accounting Manual
Lease	A lease is a contract between two parties (the lessor and lessee) for the hire of a specific asset. The lessor owns the asset, but conveys the right to use the asset to the lessee for an agreed period of time in return for the payment of specified rentals.
Finance lease	A finance lease is a lease 'that transfers substantially all the risks and rewards of ownership of an asset to the lessee'.
Operating lease	A lease other than a finance lease.

In a normal lease agreement the lessee will pay for the use of an asset in roughly equal instalments over the period of use. In this situation NHS Lanarkshire is effectively paying for the entire lease up front.

To determine whether the lease is an operating or finance lease we need to consider whether the risks and rewards of ownership will be transferred from North Lanarkshire Council to NHS Lanarkshire. We have set out our analysis of the transfer of risks and rewards in Appendix 1 and have concluded that the lease is a finance lease as most of the risks and rewards will be transferred.

Required accounting

NHS Lanarkshire should:

- recognise its contribution to construction costs as a tangible fixed asset, and
- depreciate the asset over the shorter of the lease period or the economic useful life.

There will not be any finance lease creditor or interest as the Board has effectively paid the lease upfront.

The asset should be separately classified as a finance lease asset but should be accounted for in line with the Board's other assets with regards to revaluation, etc.

How to account for the land transfer

The proposed site of the new facility is a combination of two sites, one of which is owned by NHS Lanarkshire and one of which is owned by North Lanarkshire Council. The North Lanarkshire Council site is considerably bigger than NHS Lanarkshire's site. As part of the

Susan Goldsmith

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development agreement NHS Lanarkshire will transfer its land to North Lanarkshire Council. NHS Lanarkshire's site is currently recorded in its accounting records at an open market value of £75,000.

The simple interpretation of this transaction is a disposal for nil receipt. However the FReM has fully adopted Financial Reporting Standard 5 – *Reporting the Substance of Transactions* (FRS 5) and therefore NHS Lanarkshire must comply with its requirements. FRS 5 requires the Board to consider the substance of this transaction. As stated above, NHS Lanarkshire will fund the cost of construction in so far as it relates to the element of the new facility which will be leased to the Board. The Board does not make any payment to North Lanarkshire Council for the use of its land. It is our view that, in substance, the land transfer is effectively compensation for the lease of the land on which the property will be situated.

Neither the NHS Scotland Capital Accounting Manual or Statement of Standard Accounting Practice 21 – *Accounting for Leases and Hire Purchase Contracts* (SSAP 21) require property leases to be separated between land and buildings and these should be considered as one lease. Therefore, the land transfer should be considered part of the advance lease payment.

Required accounting

The value of NHS Lanarkshire's land should be added to the Board's contribution to construction costs to give the total value of the finance lease asset.

How to account for the contribution to infrastructure costs

NHS Lanarkshire will contribute to road infrastructure costs and the costs of the car park. We must first consider whether this expenditure gives rise to an asset of the Board. FRS 5 defines an asset as "Rights or other access to future economic benefits controlled by an entity as a result of past transactions or events". The roads and car park are not covered by the lease agreement and therefore NHS Lanarkshire will not control the rights or other access to future benefits from this expenditure. We do not consider that the Board is purchasing an asset and therefore NHS Lanarkshire should account for this as revenue expenditure.

The NHSScotland Capital Accounting Manual allows for capital grants to other bodies to be deducted from the Board's Capital Resource Limit. The NHSScotland Capital Accounting Manual states that "Capital grants are unrequited transfer payments which the recipient has to use for the purposes of procuring or improving fixed assets from which the Health Board's residents will benefit in terms of achieving its objectives."

The contribution to infrastructure costs is to allow North Lanarkshire Council to improve fixed assets, being its roads and car parking. The contribution will benefit the Health Board's residents as they will have improved access to the new dental facility. Therefore the contribution to infrastructure costs is considered a capital grant.

Required accounting

NHS Lanarkshire should:

- recognise its contribution to infrastructure costs as revenue expenditure in its Operating Cost Statement;

Susan Goldsmith

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- the capital grant should be deducted from the Net Resource Outturn below the Operating Cost Statement; and
- the capital grant should be charged against the Capital Resource Limit.

How will the application of IFRS affect the accounting for this project?

The IFRS equivalent of SSAP 21 is International Accounting Standard 17: *Leases* (IAS 17). IAS 17 also requires leases to be classified as operating or finance according to the substance of the agreement: “If, substantially, all the risks and rewards incidental to ownership of the leased asset are transferred to the lessee, then the lease should be classified as a finance lease. Otherwise it is treated as an operating lease”. We have considered the accounting treatment of the lease under IAS 17 in Appendix 1 and have concluded that this is a finance lease under IAS 17.

One significant difference between SSAP 21 and IAS 17 is that IAS 17 (para 15) requires the land and buildings elements of a property lease to be considered separately for lease classification, unless the land element would be immaterial (para 17). It is our view that, in substance, the transfer of land is in exchange for the land lease. NHS Lanarkshire’s land is currently valued at £75,000 and we do not consider this to be material to the overall scheme, therefore the land and building elements should not be split.

In forming our view under the current accounting regime we have considered the requirements of FRS 5. There is no direct equivalent standard under IFRS. However, The International Accounting Standards Committee (IASC) has issued a 'Framework for the Preparation and Presentation of Financial Statements' which sets out the definitions of assets and liabilities. The definitions of assets set out in FRS 5 and the principles underlying it are similar in all material respects to those set out in the IASC's Framework. Therefore we do not consider that there will be any material change of accounting under IFRS in respect of conclusions formed under FRS 5.

Future analysis

This letter sets out our view of the accounting treatment of NHS Lanarkshire’s contribution to the Coatbridge Dental and Integrated Resource Centre and specifically its contribution to construction costs, its transfer of land and its contribution to infrastructure costs. Should the applicable accounting standards or the structure of the development change then we would need to reconsider our view.

If you wish to discuss any aspect of this letter or require further help or advice, please do not hesitate to contact Chris Brown or Andy Gibb.

Yours sincerely

Chris H Brown
Partner

chris.brown@scott-moncrieff.com

Appendix 1 – Substance of lease

SSAP 21 states that a “finance lease is a lease that transfers substantially all the risks and rewards of ownership of an asset to the lessee”. SSAP 21 further states that “It should be presumed that such a transfer of risks and rewards occurs if at the inception of a lease the present value of the minimum lease payments including any initial payment, amounts to substantially all (normally 90 per cent or more) of the fair value of the leased asset”. This is known as the 90% test. SSAP 21 does not provide further examples of when all the risks and rewards of ownership have been transferred. The NHSScotland Capital Accounting Manual does include examples of situations which tend to indicate that a finance lease exists.

Under IFRS, IAS 17 replaces the 90% test with ‘at the inception of the lease the present value of the minimum lease payments amounts to at least substantially all of the fair value of the leased asset.’ IAS 17 does provide examples of situations that individually or in combination would normally lead to a lease being classified as a finance lease.

The table below considers the SSAP 21 90% test as well as the indication set out in the NHSScotland Capital Accounting Manual and IAS 17. From this analysis, it is clear the lease is a finance lease under SSAP 21, the NHSScotland Capital Accounting Manual and IAS 17.

Further evidence that the lease is a finance lease is that NHS Lanarkshire is liable under the lease agreement for any losses not covered by insurance and thereby takes on a principal risk of ownership.

Conclusion

Based on the attached analysis, it is our view that NHS Lanarkshire’s proposed lease of Coatbridge Dental and Integrated Resource Centre is in substance a finance lease.

Indications	Comment	Indication asset of NHS Lanarkshire	Indication asset of North Lanarkshire Council
SSAP 21 indications			
SSAP 21 90% test	NHS Lanarkshire will contribute 100% of the cost towards its element of the property subject to lease.	4	
Conclusion under SSAP 21: The lease is a finance lease.			
NHSScotland Capital Accounting Manual indications			
If the lessee can cancel the lease, will he bear any losses associated with the cancellation?	The lease agreement does not allow for any repayment to NHS Lanarkshire on cancellation and as NHS Lanarkshire has effectively paid for the lease upfront then the Board would bear the losses for any cancellation.	4	

Indications	Comment	Indication asset of NHS Lanarkshire	Indication asset of North Lanarkshire Council
Will the lessee gain or lose from any fluctuations in the market value of the residual? For example, the lessee could receive a rental rebate equalling most of the sale proceeds at the end of the lease.	The lease agreement does not provide NHS Lanarkshire with any interest in the residual value. However this is not considered significant as the lease is for 175 years – i.e. substantially longer than the asset life.		4
Does the lessee have the ability to continue to lease the asset for a secondary term at a nominal rental?	The lease agreement does not include an option for a secondary lease period. However this is not considered a significant indication as primary lease term is expected to be greater than asset life.		4
Is the expected lease term equal to substantially all of the asset's expected useful life?	The lease term of 175 years is expected to be greater than the expected useful life of the property.	4	
Are the leased assets of a specialised nature such that only the lessee (or a limited number of other parties) can use them without major modifications being made?	We have assumed that the property is not of a specialist nature.		4

Indications	Comment	Indication asset of NHS Lanarkshire	Indication asset of North Lanarkshire Council
Responsibility for maintenance, insurance etc can be an indicator, but the fact that a lessor bears these costs is meaningless if he recovers them through rentals.	North Lanarkshire Council is responsible for maintenance and insurance. However, the relevant proportion of these are recharged to NHS Lanarkshire.	4	
Conclusion under NHSScotland Capital Accounting Manual indication: It is our opinion that the balance of risk and rewards are transferred to NHS Lanarkshire and therefore the lease is a finance lease.			
IAS 17 indications			
IAS 17 – the lease transfers ownership of the asset to the lessee by the end of the lease term;	The lease agreement does not contain any transfer of ownership and therefore the property will remain with North Lanarkshire Council. However this is not considered a significant indication as residual value is assumed to be minimal due to length of the lease period.		4

Indications	Comment	Indication asset of NHS Lanarkshire	Indication asset of North Lanarkshire Council
IAS 17 – the lessee has the option to purchase the asset at a price that is expected to be sufficiently lower than the fair value at the date the option becomes exercisable.	The lease agreement does not contain any option for NHS Lanarkshire to purchase the property. However this is not considered a significant indication due to the length of the lease period.		4
IAS 17 – the lease term is for the major part of the economic life of the asset even if title is not transferred;	The lease term of 175 years is expected to be greater than the economic life of asset.	4	
IAS 17 – at the inception of the lease the present value of the minimum lease payments amounts to at least substantially all of the fair value of the leased asset; and	NHS Lanarkshire will contribute 100% of the cost towards its element of the property subject to lease.	4	
IAS 17 – the leased assets are of such a specialised nature that only the lessee can use them without major modifications.	We have assumed that the property is not of a specialist nature.		4
Conclusion under IAS 17 indications: Whilst the lease does not meet all of the examples of IAS 17 it is our view that the lease does meet the principal consideration of economic life and cost.			

Susan Goldsmith

22 May 2008

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Private and Confidential

Susan Goldsmith
Director of Finance
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HAMILTON
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20th May 2008

Dear Madam

NHS Lanarkshire – Accounting Treatment of Coatbridge Dental and Integrated Resource Centre

In our capacity as your external auditors we provide you with a short letter summarising our view on NHS Lanarkshire's ("the Board") proposed accounting treatment relating to the new Coatbridge Dental and Integrated Resource Centre.

Our audit responsibilities are set out in the Code of Audit Practice published by Audit Scotland. Part of our responsibilities is to give an independent assessment of whether the financial statements give a true and fair view of the financial position of the Board and its income and expenditure for the year and have been prepared in accordance with appropriate legislation. With this responsibility in mind, we have reviewed the proposed accounting treatment for the Board's new Coatbridge Dental and Integrated Resource Centre.

It should be noted that the primary responsibility for the preparation of the Board's accounts lies with its management and it is therefore for you to determine your views on proper accounting in the context of NHS accounting arrangements.

It is not our duty to provide financial advice and therefore this letter, whilst intended to be part of a constructive debate, should not be regarded as advice. In addition, this letter is provided solely for the benefit of the Board and we accept no responsibility to any third party who might seek to place reliance on its contents.

Susan Goldsmith

22 May 2008

The views set out in this letter are based upon the information presented to us in the document "Airdrie Resource Centre / Coatbridge Dental and Integrated Resource Centre - Accounting Treatment" prepared by NHS Lanarkshire's Deputy Director of Finance on the 13th December 2007, and the letter "Accounting Treatment of Coatbridge Dental and Integrated Resource Centre" prepared by Scott Moncreiff dated May 2008, and received on 16 May 2008.

It should be noted that we have not verified the information provided in these documents against independent sources, nor have we re-performed or audited the calculations made. Our review has been limited to considering whether the Board has followed the required accounting treatment in accordance with the National Health Service (Scotland) Act 1978 and directions made thereunder by the Scottish Ministers. It should also be noted that if the facts set out in this letter change or further information becomes available, then our views may have to be reconsidered.

On the basis of the information provided to us to date we are presently not minded to challenge the conclusion that :-

- The transaction will be classed as a finance lease and the Board should recognise its contribution to construction costs as a fixed asset (with appropriate disclosure to highlight the fact it is held under a lease).
- The Board should depreciate the asset over the shorter of the lease period or the useful economic life.
- The value of the land contributed by the Board should be added to the construction costs to give the total value of the finance lease asset. This land value should be assessed by an independent valuer.
- The Board should recognise its contribution to infrastructure costs as a capital grant, deducted from the Net Resource Outturn below the Operating Cost Statement and charged against the Capital Resource Limit.

Should you wish to discuss any aspect of this letter, please do not hesitate to contact Lindsey Paterson on 0141 245 2296 or Mark White on 0141 245 2063.

Yours faithfully

PricewaterhouseCoopers LLP

Appendix J

Communications Structure

Contractual/Communication Links

